

SENATE.

WEDNESDAY, April 26, 1916.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, the Author of our being, Judge of all men, we come into Thy presence with a full assurance that Thou dost understand us altogether, that Thou dost read the secrets of our hearts. We would not dissemble nor cloak our sins. We call upon Thee with an open confession of sin and with a sense of unworthiness. We have come short of Thy glory. We come, we trust, humbly and earnestly desiring to find Thy favor and to receive Thy forgiveness. We pray for the inspiration of Thy spirit, that we may discharge the duties of this day. Look Thou upon us in the tenderness of a father's love. Take us by the hand and lead us wheresoever Thou wouldst have us go. May the result of the day's work be to the honor and glory of Thy name and to the further establishment of the great ideals of our national life. For Christ's sake. Amen.

The Journal of yesterday's proceedings was read and approved.

PENSIONS AND INCREASE OF PENSIONS.

The VICE PRESIDENT laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 12843) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. JOHNSON of Maine. I move that the Senate insist upon its amendments and agree to the conference asked for by the House, the conferees on the part of the Senate to be appointed by the Chair.

The motion was agreed to, and the Vice President appointed Mr. JOHNSON of Maine, Mr. HUGHES, and Mr. SMOOT conferees on the part of the Senate.

PETITIONS AND MEMORIALS.

Mr. SMITH of Michigan. Mr. President, the right of petition is a constitutional right, and in the exercise of that privilege I present several memorials this morning and ask the indulgence of the Senate while they are noted and properly referred.

I desire to present a petition from the city of Detroit, through its city clerk, and ask that it may be printed in the RECORD without reading.

There being no objection, the petition was referred to the Committee on Military Affairs and ordered to be printed in the RECORD, as follows:

DETROIT, April 24, 1916.

HON. WILLIAM ALDEN SMITH,
United States Senate, Washington, D. C.

DEAR SIR: As directed by the common council, I beg to call your attention to a resolution adopted by the legislative body of the city at the last session.

The resolution, which is attached herewith, is self-explanatory, I believe, but I beg to add that the matter is of great interest to the citizens of Detroit generally, and your assistance in making it possible for the city of Detroit to acquire this historic property for use as a city park will be needed and appreciated.

Yours, sincerely,

RICHARD LINDSAY,
City Clerk.

Whereas there is in circulation a report that the United States Government will, on recommendation of the Secretary of War, abandon the military post familiarly known as Fort Wayne, now in the environs of our city; and

Whereas the addition of the ground and buildings located thereon would constitute a magnificent park and units for hospital purposes for our citizens generally: Therefore be it

Resolved, That the city clerk be, and is, instructed to communicate with the United States Senators representing the State of Michigan, together with the Congressmen, and especially our Representatives from the first and thirteenth congressional districts, requesting them to exert their best endeavors to acquire the said Fort Wayne grounds and buildings for the use and benefit of the citizens of Detroit.

Mr. SMITH of Michigan. I desire to introduce a memorial from the officers of Grand Castle, Michigan Knights of Luther, of Ann Arbor, Mich., in opposition to the Fitzgerald postal bill and the Siegel postal bill. I should like to have it printed in the RECORD without reading.

There being no objection, the memorial was referred to the Committee on Post Offices and Post Roads and ordered to be printed in the RECORD, as follows:

GRAND CASTLE, MICHIGAN KNIGHTS OF LUTHER,
Ann Arbor, Mich., March 27, 1916.

HON. WILLIAM ALDEN SMITH,
United States Senate, Washington, D. C.

DEAR SIR: The Grand Castle, Michigan Knights of Luther, in State convention assembled at Jackson, Mich., February 22, 1916, did instruct its executive committee to urge the Congressmen and Senators from the State of Michigan, to use every means in their power to defeat, either in committee or on the floors of Congress, the un-American Fitzgerald postal bill (H. R. 6468) and the Siegel postal bill (H. R. 491).

Free institutions depend on a free press. We believe in our free institutions, as do 80,000,000 of the American people, and we will not countenance any tampering with the free press. We count on you to be loyal to the highest interests of the great majority of your constituents and are carefully watching your action on the above bills.

Very respectfully, yours,

L. B. BISSELL,
Detroit, Mich.,
PERCY SNELL,
Cadillac, Mich.,
J. B. SAUNDERS,
Ann Arbor, Mich.,
Executive Committee.

Mr. SMITH of Michigan. I also have a resolution of the Association of Commerce of Grand Rapids, Mich., in favor of Federal aid for vocational education, and I should like to have it printed in the RECORD without reading.

There being no objection, the resolution was ordered to lie on the table and to be printed in the RECORD, as follows:

GRAND RAPIDS ASSOCIATION OF COMMERCE,
Grand Rapids, Mich., April 19, 1916.

HON. WILLIAM ALDEN SMITH,
Washington, D. C.

DEAR MR. SMITH: At a joint meeting of the committee of one hundred of the Grand Rapids Association of Commerce and the Builders and Traders' Exchange of this city, held Wednesday noon, April 19, for the purpose of discussing the proposed bill relative to Federal aid for vocational education, the following resolution was unanimously adopted, and with instructions to convey this action to you, seeking your immediate support to this measure, viz:

"The committee of one hundred of the Grand Rapids Association of Commerce and the Builders and Traders' Exchange of Grand Rapids, in joint session this date for the purpose of considering referendum No. 14 from the Chamber of Commerce of the United States of America regarding Federal aid for vocational education, heartily indorse the report of the special committee created by the National Chamber of Commerce favoring a Federal appropriation for the promotion of vocational education in the United States. To that end we invite the cordial support of the Senators of Michigan and the Congressmen from this district, urging that they align with this movement and give such immediate attention to the furtherance of the bill as may insure its passage."

In conjunction with the foregoing we submit this action to you and commend the same for your favorable consideration. We would appreciate an expression from you on this subject, and we are of the opinion that in voting on referendum No. 14 the membership of our association will be practically unanimous in acting in the affirmative regarding Federal aid for vocational education.

Yours, sincerely,

W. K. PLUMB, Secretary.

Mr. SMITH of Michigan. I have a communication from Local Union No. 97, National Brotherhood of Operative Potters, of Mount Clemens, Mich., which I think ought to be read. I ask unanimous consent that it may be read.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Secretary will read the communication.

The Secretary read as follows:

NATIONAL BROTHERHOOD OF OPERATIVE POTTERS,
Mount Clemens, Mich., March 29, 1916.

Whereas there is a movement on foot to have Congress increase the Army and Navy, thereby increasing the cost of living to the working class: Therefore be it

Resolved, That Local No. 97, National Brotherhood of Operative Potters, is opposed to any increase in the United States military organizations, and call upon our representatives in Congress to use their voice and vote against all bills calling for an increased military organization; further

Resolved, That we use all honorable means in our power to discourage the working class from enlisting; further

Resolved, That if necessary to prepare for war, that we recommend that all citizens who have an income of \$10,000 a year be drafted and placed in the first line of defense; further

Resolved, That a copy of these resolutions be sent to our representatives in Congress.

[SEAL.]

E. W. SOUTHERN, President.
JAMES S. MYLER,
Recording Secretary.

The VICE PRESIDENT. The communication will lie on the table.

Mr. JAMES. I present resolutions adopted at a mass meeting of citizens of McCracken County, Ky., indorsing the foreign policy of the President. I ask that they may be printed in the RECORD.

There being no objection, the resolutions were referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

DEPARTMENT OF PUBLIC AFFAIRS,
Paducah, Ky., April 21, 1916.

HON. OLLIE M. JAMES,
United States Senator, Washington, D. C.

DEAR SENATOR: Inclosed you will please find copy of resolutions which were passed at a mass meeting of the citizens of McCracken County yesterday, indorsing the action of the Government in its foreign-relation policy, and which expresses the views of the citizens of McCracken County and—I feel no hesitancy in saying—the views of western Kentucky.

From the newspaper reports, and from our faith in you, I know you have already announced your position as being absolutely for the policies of the Government, but, in furtherance of the confidence we have in you, I have seen fit to call the people of McCracken County together for the purpose of an expression of their belief and the passage—the unanimous passage—of the resolutions inclosed to you expresses their sentiment more fully than in any other way.

Trusting that the policies of the Government will be crowned with success, and that we may be kept out of the threatened international complications now before us, but again assuring the Government that that portion of western Kentucky which I represent will stand back of it in whatever course it may pursue in the defense of the honor and integrity of the Government, even to the extent of personal sacrifice, I beg to remain,

Very truly, yours,

ERNEST LACKEY, Mayor.

Whereas the President of the United States, the Hon. Woodrow Wilson, did, on the 19th day of April, 1916, deliver to the Congress of the United States a resumé of the relationship between the United States and the Imperial Government of Germany, thereby disclosing the real condition of affairs existing between the two nations, and by his utterances to said Congress depicted that situation to be one of grave import at this time, in view of the demands of this Government in the interests of humanity and in the upholding of those principles of international law and international intercourse, which have been recognized by all the nations of the earth in the years that have passed as applicable, right and just in their intercourse one with the other; and

Whereas in his wisdom, based upon his own interpretation of the affairs as they exist, and sustained by his Cabinet, after due and proper consideration, he deemed it expedient and wise to, at this time, issue a statement to the Imperial Government of Germany outlining to it the policy of the people of the United States, and demanding of it a compliance with those recognized laws of humanity; and

Whereas he has seen fit in such declaration to Congress to, in effect, issue to Germany an ultimatum, which means, if complied with by Germany, a peaceable continuance of the relationships with that country, but, if disregarded, a severance of the relations, which may or may not mean the necessity upon the part of this country enforcing such demands; and

Whereas we have implicit confidence in his wisdom, in his integrity, and in his patriotism, and in the honesty, integrity, and patriotism of those upon whom he has a right to, and does, rely for advice, for counsel and guidance: Be it therefore

Resolved by the people of McCracken County, Ky., That we heartily indorse, and enthusiastically commend, the action of our President in the position assumed by him in his utterances delivered to the Congress of this country, publicly and without reservations, implied or otherwise, on the 19th day of April, 1916; and be it further

Resolved, That we extend to our representatives in both branches of the Congress of the United States our declaration that we do concur in, indorse, and appreciate the stand taken by our President, and urge each Member of both branches of Congress to uphold his hands in this crisis of our Nation's history in every manner possible, to carry into effect the policies as enunciated by him, pledging our support to such policies absolutely. Be it further

Resolved, That we indulge the hope that the Imperial German Government may accede to the just demands of the President of the United States, in the hope that the friendly relations heretofore existing between the two great nations may continue. Be it further

Resolved, That a copy of these resolutions be forwarded to the Hon. OLLIE M. JAMES and the Hon. J. C. W. BECKHAM, Senators from Kentucky in the United States Senate, and to the Hon. ALBEN W. BARKLEY, our Representative in the lower House of Congress.

ERNEST LACKEY,
Chairman.
S. REED CAMPBELL,
W. HEENDON LACKEY,
Secretaries.

Mr. JAMES. I present a telegram in the nature of a petition signed by Alfred Reinhardt, president of the German-American Alliance, Newport, Ky., praying that the Government may continue at peace with the world. I ask that it may be printed in the RECORD.

There being no objection, the telegram was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

[Telegram.]

COVINGTON, KY., April 24, 1916.

Hon. OLLIE M. JAMES,
United States Senate, Washington, D. C.

DEAR SIR: The eyes of all fair-minded people and your constituents who are against breaking off diplomatic relations with Germany are directed to your action in Congress. For humanity's sake and justice your constituents most earnestly urge you to oppose any and all attempts that may lead to such a break with Germany, the best friendly nation we have. On account of a mere technicality our country should not be degraded into a war.

Most respectfully, yours,

ALFRED REINHARDT,
President the German-American Alliance of Newport, Ky.

Mr. SHERMAN. I present certain communications in the nature of petitions, one of them dated April 22, 1916, from Ross G. Harrison, professor of comparative anatomy, Yale University. They all concern the refusal of the allies to permit Red Cross supplies to reach the central powers and further concern the proposed breach of the Geneva convention. I ask that these communications be printed in the CONGRESSIONAL RECORD at length without reading.

There being no objection, the communications were ordered to be printed in the RECORD, as follows:

NEW HAVEN, CONN., April 22, 1916.

Hon. L. Y. SHERMAN,
Washington, D. C.

DEAR SIR: I inclose a copy of an official circular of the American Red Cross and also a copy of a letter of protest which my wife, an active Red Cross worker, has sent to the members of the central committee.

The only publicity which this virtual nullification of the Geneva convention has received has been through the present efforts of myself and several friends, and this has been, of course, wholly inadequate. I therefore appeal to you not to let the matter pass unnoticed in Congress,

A most sinister phase of the situation is that, as president of the American Red Cross, the President of the United States must have known of the matter at the very time when he read his message to Congress on Wednesday last and constituted himself before the world as spokesman for humanity.

I can not believe that the American people will tolerate having their well-deserved reputation for fair play thus thrown to the winds or that they will stand for that particular kind of humanity and neutrality which sees one side only. Nor can I believe that they will permit themselves to be dragged into a futile and senseless war simply because the President has got himself into a dilemma by handling a complicated and far-reaching situation in an utterly one-sided and uncompromising way.

I urge you to throw the whole weight of your influence to divert the disaster of a country divided against itself, which is what our participation in the war on either side would mean, and to stand firmly against the President's policy which holds but one side to account.

Very respectfully, yours,

ROSS G. HARRISON,
Professor of Comparative Anatomy, Yale University.

AMERICAN RED CROSS OFFICIAL ANNOUNCEMENT.

The American Red Cross has received notification through the State Department of the decision of the British Government that Red Cross supplies destined to enemy countries will not be passed through the blockade established by the entente allies. An exception is made of supplies intended for the use of hospital units maintained by the American Red Cross in these countries, but as these have been all withdrawn the prohibition is in fact absolute.

In view of this fact not only is the further contribution of supplies to the Teutonic allies not practicable, but it becomes necessary to make other distribution of those now on hand at the receiving and shipping station of the American Red Cross, Bush Terminal, Brooklyn, N. Y.

It is proposed to ship these supplies, or such of them as may be appropriate for the purpose, to Siberia, to be distributed to German, Austro-Hungarian, and Turkish prisoners in the prison camps of that country. It is therefore requested that you authorize the Red Cross to make this disposition of them, or, if for any reason this becomes impossible, to use these supplies for military preparedness at home or for relief work in disasters in neutral countries. If neither of these dispositions is acceptable, please authorize their shipment, at your expense, to such address in this country as you may indicate.

Please sign the authority given below and return to the Receiving and Shipping Station, American Red Cross, Bush Terminal, Brooklyn, N. Y., in the inclosed envelope.

Very respectfully,

J. R. KEAN,
Colonel, Medical Corps, United States Army.
Director General of Military Relief.

APRIL 18, 1916.

PROTEST TO CENTRAL COMMITTEE AMERICAN RED CROSS.

NEW HAVEN, CONN., April 22, 1916.

SIR: I submit for your earnest consideration a copy of an official announcement of the American Red Cross. It states that the British Government refuses to pass Red Cross supplies hereafter from America to the central powers and indicates that the American Government has submitted to this decision without protest or publicity.

This, as you will recognize, is a nullification of the Geneva Convention. It strikes at the foundation of those principles of humanity in warfare of which the Red Cross has been the bulwark and for which the President now stands before the world as spokesman.

I wish to enter an earnest protest against an acquiescence by the American Red Cross in the action of the British Government and also against the policy of the American Government in concealing such important matters from the general public. I would lodge this protest particularly, because at this critical time allegations of inhumanity against the opponents of Great Britain are the basis of an ultimatum of which the natural outcome is war and for which the support of public opinion is sought.

As an active worker for the Red Cross, I urge, therefore, that this matter be given immediate reconsideration by the central committee and that the public be authoritatively informed of what has been done in order that public opinion may assert itself.

Very truly, yours,

IDA HARRISON,
For the New Haven Sewing Circles.

Address: Mrs. Ross G. Harrison, 142 Huntington Street, New Haven, Conn.

Mr. BRADY presented a memorial of sundry citizens of Rathdrum, Idaho, remonstrating against the passage of the so-called rural-credits bill, which was ordered to lie on the table.

He also presented a memorial of sundry citizens of Orofino, Idaho, remonstrating against the enactment of legislation to limit the freedom of the press, which was referred to the Committee on Post Offices and Post Roads.

He also presented a petition of sundry citizens of Gilbert, Idaho, praying for national prohibition, which was referred to the Committee on the Judiciary.

Mr. TOWNSEND presented memorials of 675 farmers in the State of Michigan, remonstrating against the enactment of legislation to prohibit interstate commerce in convict-made goods, which were ordered to lie on the table.

He also presented petitions of sundry citizens of Michigan, praying for national prohibition, which were referred to the Committee on the Judiciary.

He also presented petitions of sundry citizens of Wyandotte, Mich., praying for the enactment of legislation to grant pensions to civil-service employees, which were referred to the Committee on Civil Service and Retrenchment.

He also presented a memorial of sundry citizens of Bay City, Mich., remonstrating against the enactment of legislation to

limit the freedom of the press, which was referred to the Committee on Post Offices and Post Roads.

He also presented a memorial of the Woman's Club, of Alma, Mich., remonstrating against the proposed power-house site in the city of Washington, D. C., which was ordered to lie on the table.

Mr. MYERS. I present a resolution adopted at a regular meeting of the Silver Bow Trades and Labor Council, of Butte, Mont., which I ask may be printed in the RECORD, together with the signatures.

There being no objection, the resolution was ordered to lie on the table and to be printed in the RECORD, as follows:

SILVER BOW TRADES AND LABOR COUNCIL,
Butte, Mont., April 11, 1916.

To Montana Representatives in Congress.

GENTLEMEN: The following resolution bearing on "child labor" was adopted at a regular meeting of the Silver Bow Trades and Labor Council, the representative body for some 5,000 members of organized labor in Silver Bow County, Mont., to wit:

Whereas there is now pending in the United States Senate a bill known as the Keating child-labor bill; and

Whereas we believe it is to the best interests of the workers and citizens of this country that this bill should pass: Therefore be it

Resolved, That we, the delegates from the various locals to the Silver Bow Trades and Labor Council, in regular meeting assembled, do hereby request our Senators and Representatives from Montana to work for the immediate passage of the Keating bill.

Respectfully submitted.

[SEAL]

SILVER BOW TRADES AND LABOR COUNCIL,
F. A. BIGELOW, President.
O. U. PARTELOW, Secretary.

Mr. BURLEIGH presented a memorial of sundry citizens of Richmond, Me., remonstrating against the enactment of legislation to limit the freedom of the press, which was referred to the Committee on Post Offices and Post Roads.

Mr. McLEAN presented a petition of Excelsior Lodge, Knights of Pythias, of Stamford, Conn., praying for the enactment of legislation to grant pensions to employees of the Postal Service, which was referred to the Committee on Post Offices and Post Roads.

He also presented memorials of 2,661 members of various German societies of the German American Alliance, of Hartford; of the German American Alliance, of Bridgeport; and of the Trades Council, of New Haven, all in the State of Connecticut, remonstrating against the severance of diplomatic relations with Germany and also against the United States becoming involved in the European war, which were referred to the Committee on Foreign Relations.

Mr. STONE presented a memorial of the Interstate Sportmen's Protective Association, of Kansas City, Mo., remonstrating against the adoption of certain provisions of the so-called migratory-bird law, which was referred to the Committee on Forest Reservations and the Protection of Game.

Mr. LANE presented memorials of sundry citizens of Oregon, remonstrating against the enactment of legislation to limit the freedom of the press, which were referred to the Committee on Post Offices and Post Roads.

He also presented memorials of sundry citizens of Oregon, remonstrating against the enactment of legislation for compulsory Sunday observance in the District of Columbia, which were ordered to lie on the table.

Mr. CLARK of Wyoming presented petitions of sundry citizens of Weston County, Wyo., praying for the adoption of certain amendments to the so-called stock-raising homestead bill, which were ordered to lie on the table.

Mr. PHELAN presented a petition of sundry citizens of Paterson, Cal., praying for national prohibition, which was referred to the Committee on the Judiciary.

He also presented a petition of the Chamber of Commerce, of Eureka, Cal., praying for the passage of the so-called Newlands-Broussard river regulation bill, which was referred to the Committee on Commerce.

He also presented a petition of the Chamber of Commerce, of Eureka, Cal., praying for an increase in armaments, which was ordered to lie on the table.

He also presented a petition of Los Angeles District California Congress of Mothers, praying for the enactment of legislation to prohibit interstate commerce in the products of child labor, which was ordered to lie on the table.

REPORTS OF COMMITTEES.

Mr. BECKHAM, from the Committee on the Library, to which was referred the bill (H. R. 8351) to accept a deed of gift or conveyance from the Lincoln Farm Association, a corporation, to the United States of America, of land near the town of Hodgenville, county of Larue, State of Kentucky, embracing the homestead of Abraham Lincoln and the log cabin in which he was born, together with the memorial hall inclosing the same; and further, to accept an assignment or transfer of an endow-

ment fund of \$50,000 in relation thereto, reported it with amendments and submitted a report (No. 387) thereon.

Mr. STERLING, from the Committee on Public Lands, to which was referred the bill (S. 4862) to exclude intoxicating liquors from national parks and national forest reserves, reported it without amendment and submitted a report (No. 388) thereon.

Mr. JOHNSON of Maine, from the Committee on Pensions, to which were referred the following bills, reported them each with amendments and submitted reports thereon:

H. R. 13486. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war (Rept. No. 389); and

H. R. 13620. An act granting pensions and increase of pensions to certain soldiers and sailors of the Regular Army and Navy and certain soldiers and sailors of wars other than the Civil War and to widows of such soldiers and sailors (Rept. No. 390).

Mr. LANE, from the Committee on Claims, to which was referred the bill (S. 2852) for the relief of John F. Considine, reported it with an amendment and submitted a report (No. 391) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED.

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WALSH:

A bill (S. 5757) to enlarge the jurisdiction of the municipal court of the District of Columbia, and to regulate appeals from the judgments of said court, and for other purposes (with accompanying papers); to the Committee on the Judiciary.

By Mr. PITTMAN:

A bill (S. 5758) to amend sections 1 and 94 of the act entitled "An act to codify, revise, and amend the laws relating to the judiciary," approved March 3, 1911; to the Committee on the Judiciary.

By Mr. BROUSSARD:

A bill (S. 5759) for the relief of James Dodds; to the Committee on Military Affairs.

A bill (S. 5760) granting an increase of pension to Paul Sullivan, alias Matthias G. Clark; to the Committee on Pensions.

By Mr. STERLING:

A bill (S. 5761) authorizing the Flandreau Band of Sioux Indians to submit claims to the Court of Claims; to the Committee on Indian Affairs.

By Mr. GALLINGER (for Mr. Goff):

A bill (S. 5762) granting an increase of pension to George W. Dawson (with accompanying papers);

A bill (S. 5763) granting an increase of pension to Nancy E. Gatrell;

A bill (S. 5764) granting an increase of pension to William S. Clark; and

A bill (S. 5765) granting an increase of pension to Eliza Jane McCoy (with accompanying papers); to the Committee on Pensions.

By Mr. LANE:

A bill (S. 5766) granting a pension to Sarah J. Cone (with accompanying papers); and

A bill (S. 5767) granting an increase of pension to Ezra A. Miller (with accompanying papers); to the Committee on Pensions.

By Mr. OWEN:

A bill (S. 5768) for the relief of Frank Carpenter (with accompanying papers); to the Committee on Claims.

By Mr. ASHURST:

A bill (S. 5769) granting an increase of pension to Joseph Burton (with accompanying papers); to the Committee on Pensions.

By Mr. JAMES:

A joint resolution (S. J. Res. 125) to authorize the Secretary of the Interior to accept assignment of patent for improvements in the manufacture of gasoline, and for other purposes; to the Committee on Patents.

By Mr. GORE:

A joint resolution (S. J. Res. 126) authorizing the Postmaster General to ascertain the effect upon postal receipts on first-class mail matter in certain post-office delivery districts of reduction of the rate to 1 cent per ounce or fraction thereof; to the Committee on Post Offices and Post Roads.

RIVER AND HARBOR APPROPRIATIONS.

Mr. SHAFROTH. I submit an amendment intended to be proposed to the river and harbor appropriation bill (H. R.

12193), which I ask may be read at the desk and referred to the Committee on Commerce.

The proposed amendment was read and referred to the Committee on Commerce, as follows:

By adding a new section thereto, as follows:

Sec. 6. That each of the appropriations herein made shall become available only in the event States, counties, cities, or individuals shall pay into the Treasury as part of the same 20 per cent of the amount thereof.

ADJUDICATION OF PRIVATE CLAIMS.

Mr. WILLIAMS. I wish to offer an amendment to House bill 6918, to relieve Congress from the adjudication of private claims against the Government, to be pending when the bill to which it refers comes up for consideration.

The VICE PRESIDENT. The proposed amendment will be printed and referred to the Committee on the Judiciary.

THE JUDICIAL CODE.

Mr. GALLINGER (for Mr. Goff) submitted an amendment intended to be proposed by him to the bill (S. 1412) further to codify, revise, and amend the laws relating to the judiciary, which was referred to the Committee on the Judiciary and ordered to be printed.

THE AQUEDUCT BRIDGE.

Mr. NEWLANDS submitted an amendment intended to be proposed by him to the bill (H. R. 759) to provide for the removal of what is now known as the Aqueduct Bridge, across the Potomac River, and for the building of a bridge in place thereof, which was referred to the Committee on Commerce and ordered to be printed.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed the bill (S. 5415) to authorize the construction of a bridge across the Fox River at Geneva, Ill.

The message also announced that the House had passed a bill (H. R. 10750) permitting the Mondak Bridge Co. to construct, maintain, and operate a bridge across the Missouri River in the State of Montana, in which it requested the concurrence of the Senate.

HOUSE BILL REFERRED.

H. R. 10750. An act permitting the Mondak Bridge Co. to construct, maintain, and operate a bridge across the Missouri River in the State of Montana was read twice by its title and referred to the Committee on Commerce.

GOOD ROADS.

The VICE PRESIDENT. Morning business is closed.

Mr. BANKHEAD. I move that the Senate proceed to the consideration of House bill 7617, commonly known as the good-roads bill.

The motion was agreed to; and the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7617) to provide that in order to promote agriculture, afford better facilities for rural transportation and marketing farm products, and encourage the development of a general system of improved highways, the Secretary of Agriculture, on behalf of the United States, shall in certain cases aid the States in the construction, improvement, and maintenance of roads which may be used in the transportation of interstate commerce, military supplies, or postal matter.

The VICE PRESIDENT. The pending question is on the amendment of the Senator from Nebraska [Mr. NORRIS].

Mr. BANKHEAD. I am sorry the Senator from Nebraska is not in the Chamber. I was going to suggest to him that if he would be satisfied with striking out "six months" and inserting "four months" I thought the committee would be willing to accept that modification. He stated the other day that he would agree to it. Since then, however, there has been a great deal of discussion on it, and I do not know what his attitude would be now. I suggest that the amendment be passed over for the present until the Senator from Nebraska returns to the Chamber.

The VICE PRESIDENT. It will go over, without objection. The bill is as in Committee of the Whole and open to further amendment.

Mr. GALLINGER. Mr. President, I wish to ask the chairman of the committee a question. I notice, on page 12, lines 13, 14, and 15, that the maximum amount which may be paid for the construction of a road is fixed at not to exceed \$10,000 per mile. I think that is wise, although in some parts of the country it may cost more than that. But what I wish to inquire of the Senator is whether the minimum might not likewise well be fixed. Is the Senator sure that we will not get some dirt roads in the country under this bill?

Mr. BANKHEAD. As to the first inquiry, I will say to the Senator the purpose is that the Government shall not appropriate more than \$10,000 a mile on any road; but there is no reason why the State, county, and locality may not appropriate \$20,000 if they desire.

Mr. GALLINGER. I understand; but what is troubling my mind is this: If the Government and the States are going jointly into the matter of building roads, we ought to have good roads.

Mr. BANKHEAD. I quite agree with the Senator.

Mr. GALLINGER. There is no minimum fixed; and may we not find after a while, unless we fix a minimum amount, that some pretty cheap roads are being constructed that will not stand the wear and tear of the modern vehicles?

Mr. BANKHEAD. Mr. President, the committee and the Secretary of Agriculture discussed that matter very fully, and we did not quite see how we could fix a minimum. The conditions are so different in different portions of the country that we thought it would be very difficult to do that. For instance, there are sections of the country where a good road can be built for from \$1,200 to \$1,500 a mile, a sand and clay road, and they have proved to be very excellent. There are other sections where it will cost more, where they will build gravel roads; and in some others it will cost a great deal more if they undertake to build a surfaced road. The committee thought after investigating it that the best thing would be to leave the question to the State highway commission and the Secretary of Agriculture to pass upon it.

Mr. GALLINGER. If the Senator thinks it is safe in the hands of other officials I am not going to say another word, but I should very much dislike if, after we have appropriated this large sum of money and this good-roads movement is well in progress, we should find that very inferior roads are being built in some sections of the country.

Mr. BANKHEAD. I quite agree with the Senator as to that.

Mr. GALLINGER. I have seen bills presented to Congress where, among other things, they provided for sand roads—dirt roads. I think we ought to get rid of dirt roads nowadays as far as possible. But if the Senator is satisfied that it is safely guarded I shall say nothing further.

Mr. SMITH of Georgia. I only wish to say to the Senator from New Hampshire that there is a sand and clay road now made which is one of the very best roads that can be built. It is a road that is durable in many sections, where the land is not too hilly.

Mr. CLAPP. In some cases it lasts longer than these high-priced concrete roads for which vast sums are paid.

Mr. OVERMAN. I wish to say that that is my experience. In North Carolina some of our best roads are what are known as sand-clay roads. They last longer.

Mr. GALLINGER. It is a novel thought to me that dirt roads are better than more substantial roads.

Mr. OVERMAN. They last longer. They do not tear up like other roads.

Mr. GALLINGER. I think likely that is true.

Mr. OVERMAN. I will say that in my county we spent \$3,600 for what is known as a macadam road, and it is found that they are not as good as the sand roads, because the macadam roads are torn up by automobiles.

Mr. GALLINGER. That would not be the case if they were properly examined from time to time and repaired.

Mr. OVERMAN. They repair them, but it does not do any good. They are discarded for sand-clay roads. That is our experience. They are better than the macadam.

Mr. GALLINGER. All right.

The VICE PRESIDENT. The bill is as in Committee of the Whole and open to amendment.

Mr. JONES. Mr. President, there are two or three Senators away who I know are very much interested in some features of the bill, and I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Harding	Myers	Smith, Mich.
Bankhead	Hitchcock	Nelson	Smith, S. C.
Beckham	Hollis	Norris	Smoot
Brady	Hughes	Overman	Sterling
Brandegge	Husting	Owen	Sutherland
Broussard	James	Page	Swanson
Burleigh	Johnson, Me.	Pittman	Thomas
Clapp	Johnson, S. Dak.	Poinexter	Thompson
Clark, Wyo.	Jones	Pomerene	Tillman
Culberson	Kenyon	Ransdell	Townsend
Curtis	La Follette	Saulsbury	Underwood
Dillingham	Lane	Shaftroth	Wadsworth
du Pont	Lippitt	Sheppard	Walsh
Gallinger	Martin, Va.	Sherman	Williams
Gronna	Martine, N. J.	Smith, Ga.	

Mr. OVERMAN. Mr. President, I wish to announce that my colleague [Mr. SIMMONS] has been called away on important business and is therefore unavoidably detained from the Senate.

Mr. BECKHAM. The Senator from Mississippi [Mr. VARDAMAN] is absent on official business.

The roll call was concluded.

Mr. BECKHAM. I wish to announce that the Senator from Tennessee [Mr. SHIELDS] is absent on account of death in his family. I desire that this announcement shall stand for the day.

Mr. MARTINE of New Jersey. I desire to announce that the Senator from Oregon [Mr. CHAMBERLAIN] is unavoidably detained on public business.

I also desire to announce that the Senator from Arkansas [Mr. ROBINSON] is unavoidably detained from the Senate. I ask that both of these announcements shall stand for the day.

The VICE PRESIDENT. Fifty-nine Senators have answered to the roll call. There is a quorum present.

Mr. BANKHEAD. Mr. President, I see that the Senator from Nebraska [Mr. NORRIS] is now in the Chamber.

The VICE PRESIDENT. The pending amendment is the amendment proposed by the Senator from Nebraska [Mr. NORRIS] to the amendment of the committee.

Mr. BANKHEAD. I want to ask the Senator from Nebraska, as his amendment to the amendment was temporarily passed over until he could be present, if he will not consent to an amendment striking out "six months" and inserting "four months"?

Mr. NORRIS. Mr. President, in the first place, I wish to thank the Senator from Alabama for delaying the matter until I could be present. I was unavoidably detained this morning and came as soon as I could.

While I do not like the suggestion made by the Senator from Alabama nearly so well as I do the amendment to the amendment which I have proposed, yet, so far as I am concerned—and, of course, I can only speak for myself, for the amendment may be offered by some one else—I feel constrained, after talking with several Senators who have favored the amendment to the amendment, to accept the proposition of the Senator from Alabama. I am willing to do that.

Mr. TOWNSEND. What is the modification now proposed of the amendment of the Senator from Nebraska to the amendment of the committee?

The VICE PRESIDENT. The Secretary will state the amendment to the amendment as now proposed to be modified.

The SECRETARY. The Senator from Alabama moves to amend the committee amendment as follows: On page 12, line 25, before the word "months," to strike out "six" and to insert "four," so that it will read:

Sec. 7. That the Secretary of Agriculture shall withhold apportionment of funds to any State in which roads constructed under the provisions of this act have not, in his judgment, been properly maintained by the State, or any subdivision thereof, if within four months after he has given notice in writing to the State highway department such roads be not properly maintained by the State or any subdivision thereof.

The VICE PRESIDENT. The amendment to the amendment will be agreed to without objection. The bill is still before the Senate, as in Committee of the Whole, and open to further amendment.

Mr. SMOOT. Mr. President, if there are no further amendments to be proposed to perfect the committee amendment—

Mr. NORRIS. Mr. President, if the Senator from Utah will yield, I have another amendment to the amendment which I should like to offer, and to which I think the committee will agree.

Mr. SMOOT. I yield to the Senator from that purpose.

Mr. NORRIS. On page 12, line 24, I move to strike out the words "in his judgment." I do not think that will change the meaning of the bill, but it seems to me it would be much better that those words should be stricken out. It is not customary in legislation to insert phrases of that kind, as I understand, and such language certainly does not add anything to a law.

Mr. BANKHEAD. I have no objection to that amendment to the amendment.

The VICE PRESIDENT. The amendment to the amendment will be stated.

The SECRETARY. In the committee amendment on page 12, line 24, after the word "not," it is proposed to strike out the words "in his judgment."

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The bill is still before the Senate, as in Committee of the Whole, and open to further amendment.

Mr. NORRIS. I have no further amendment to offer, Mr. President.

Mr. SMOOT. Mr. President, if the amendment suggested by the committee to the House bill is perfected, I wish to offer a substitute for the Senate amendment.

The VICE PRESIDENT. Are there any further amendments to be proposed to the committee amendment?

Mr. POMERENE. Mr. President, on page 11, line 21, after the word "exceed," I move to strike out the word "fifty" and to insert in lieu thereof the words "thirty-three and one-third," so that the text will read:

The Secretary of the Treasury shall thereupon set aside the share of the United States payable under this act on account of such project, which shall not exceed 33½ per cent of the total estimated cost thereof.

Mr. President, several days ago this same subject matter was discussed somewhat at length in connection with an amendment offered by the Senator from Nebraska [Mr. NORRIS]. When we recognize the fact that there are practically 2,300,000 miles of public highways in the United States—at least those are the figures furnished us by the committee in its report—I think we must all come to the conclusion that the burden of public-road improvement must be borne by the States or the local geographical subdivisions thereof.

Mr. WILLIAMS. Mr. President, if the Senator will pardon me a moment, what did he say was the road mileage of the United States?

Mr. POMERENE. The figures given in the report show the road mileage to be 2,300,000. All who favor legislation of this kind are interested in the subject not only of good roads, but permanent good roads, and my thought is, the project being so large, the portion of this expense which should be borne by the Federal Government must be substantially less than that which is borne by the States or the subdivisions thereof. My belief is that the policy adopted by the Federal Government should be such that it will encourage public-road building to the utmost. If we make the proportion which may be expended by the Federal Government not to exceed one-third of the total cost, I believe more miles of public highway will be permanently improved by the State authorities than will be improved if we agree to pay not to exceed 50 per cent thereof, and it was with that thought in mind that I offered this amendment.

Mr. GALLINGER. Mr. President, the Senator's amendment reduces the proportion to be paid by the Government from 50 per cent to 33½ per cent?

Mr. POMERENE. That is the amendment.

Mr. GALLINGER. May I say a word?

Mr. POMERENE. Certainly.

Mr. GALLINGER. Mr. President, I am not at all sure that that is a wise amendment. After all, the whole amount comes from the taxpayers of the country. The 50 per cent which the Government will pay will come from the men, women, and children of the country who pay tribute to the Government through impost duties and other forms of taxation. So, after all, it is taking it out of one pocket and putting it into another. The cities, towns, and counties are very heavily taxed at the present time, not only in reference to good roads, but in reference to all other matters. The people of the country are looking with a feeling of certainty, as well as with some degree of trepidation, upon increased taxes in the near future. If such taxes must be levied, doubtless the people of the country will submit to them with good grace, as they always have done; but, nevertheless, they have considerable anxiety about that matter.

If this burden could be lifted from the people directly to the extent of 50 per cent, I think there would be less tendency for faultfinding on the part of the taxpayers of the country than there will be if we so arrange the bill that the Government will pay less than is to be exacted from the cities and municipalities. That is the thought running in my mind, and I think possibly the Senator will admit that there is some force in it.

Mr. POMERENE. Mr. President, I recognize the fact that some Senators are imbued with that idea, and I am not here to say absolutely that they are wrong and I am right in the matter; but it must be borne in mind that the drafts upon the Federal Treasury are very great, too. I am satisfied in my own State, whether or not there is any Federal aid, we are going to have a system of good public highways. Our people have been bitten by the good-roads microbe, and they are appreciating now more than ever before the benefit to be derived from good roads. Many of the New England States have an excellent road system. Some of the States are rather further behind than either the New England States or my own State; but I am still of the opinion that the burden of this work must be borne by the local authorities, and I feel that we will be doing more for the cause of good roads if we reduce this amount to 33½ per cent than we will if we retain it at 50 per cent.

Mr. SMITH of Georgia. Mr. President, it is not to be supposed that all the good roads that are to be built will be those constructed under this form of cooperation between the Government and the States. The roads constructed under this bill, I trust, will be a very small part of the roads that are to be constructed, and constructed in the near future. It is rather a movement to give an example of and to afford an inspiration for good road building. The theory has been that when the Government takes part in a local enterprise, so far as that local enterprise goes, the expense shall be borne half by the Government and half by the locality; and I think it would be a great mistake in this instance if this bill were changed as the Senator from Ohio proposes. I feel sure that it in no sense means that the expenditures for good roads are to be only half and half, but that the good roads built under this bill will be an illustration of what good roads may accomplish and afford an example for road construction by adopting the best methods which may be possible.

Mr. LIPPITT. Mr. President, I should like to say to the Senator from Georgia that my thought concerning this bill has been just the opposite of the idea he has expressed. It seems to me that the tendency of the States will be not to build any good roads until they have arranged for the National Government to participate in their construction. That is only ordinary human nature. If a community finds that somebody else will pay 50 per cent of the cost of some improvement which they want they will endeavor so to arrange their matters that they will get that 50 per cent before they spend the money themselves. I know what has happened in States where the State itself has given aid to the construction of State highways so far as the respective activities of the State and the towns are concerned. The towns have stopped building roads; they have stopped making improvements until they can arrange that the State shall pay its proportion of the cost of the improvement.

It seems to me, if I understand this bill aright, that it is only the first step toward an enormous expenditure of money by the National Government for the construction of roads all over the United States. I expect that the instant this principle has been established the application of it will grow enormously. I think we shall have continual demands from all over the country to have this appropriation increased, and the tendency in the States will be to withhold and delay any improvement until such time as they can be sure that the National Government is going to participate in it. I really can not take the view the Senator from Georgia has expressed.

Mr. SMITH of Georgia. Mr. President, if I agreed with the views of the Senator from Rhode Island and believed that within the next 20 years we would have no road development in my section, except that which came from the cooperation of the Federal Government and the States, the counties, and other subdivisions, I would vote against this bill without a moment's hesitation. I do not anticipate anything of the kind. I think it will be a stimulus to improve roads. You can only reach a very small portion of your roads—one in a county, a portion of one in a county—when they are developed in this way; but all of the balance of the people will be aroused and interested in the direction of additional good roads. I look to see these roads an example and an inspiration of good roads.

Mr. LIPPITT. Mr. President, of course the Senator from Georgia knows the enormously active lobby which is now advocating the passage of this bill, and which has been advocating it for some time.

Mr. SMITH of Georgia. No; I do not know anything about any lobby. If the Senator does, he knows something I do not know. I have had no suggestion made to me through anybody outside.

Mr. LIPPITT. I can only say that I know how well informed the Senator is, and if he has not had his attention called to the tremendous amount of literature which is being distributed in this country in favor of national good roads—

Mr. SMITH of Georgia. That literature is in opposition to this bill.

Mr. LIPPITT. I have not happened to see any that was in opposition to it. Every two or three days I am receiving the most expensive maps, showing the proposed system of nationally aided good roads—maps which would mean the expenditure of an enormous amount of money for their production, and which are being circulated with the statement underneath that by the aid of the National Government the States are going to get these roads built largely without expense to themselves. There is no statement on those maps as to where the money is coming from that is to be expended for these roads. The implication is carried by these publications that it is going to be a free gift to each and every State from some unknown source; and from reading them I rather got the idea that the money was going

to come something like the manna from heaven in the olden times—that the money just grew.

Mr. SMITH of Georgia. Did the Senator read this literature with any care?

Mr. LIPPITT. I looked over some of those maps.

Mr. SMITH of Georgia. Did he not observe that they were hostile to this bill, and hostile to this kind of road construction? Did he not recognize the fact that the literature was in opposition to this legislation?

Mr. LIPPITT. I understood that it was in favor of national aid to State roads.

Mr. SMITH of Georgia. A few great automobile highways.

Mr. BANKHEAD. Mr. President—

Mr. LIPPITT. I yield to the Senator from Alabama.

Mr. BANKHEAD. I have not seen the literature to which the Senator refers. The only literature I have received has been literature advocating great national highways, boulevards, mainly for the use of automobiles. I am not opposed to national highways. I am not opposed to roads upon which automobiles can travel. I should like to see them all over the country. I should like to have our friends from Rhode Island and New York and Pennsylvania get in an automobile and come down to Alabama and see us, and we would make it delightful for them. There is no question about that.

Mr. LIPPITT. I should like to go with the Senator.

Mr. BANKHEAD. But it is a very different kind of roads that we seek to build under the provisions of this bill. We want to improve the country roads over which the mails are carried, and the country roads over which the farmers can send their products to market. That is the object of this bill—not to build great national highways and boulevards.

Mr. LIPPITT. I understand the subterfuge in this bill. The purpose, as described in the bill, is to aid the States in building roads over which the mail is being sent, or over which the mail might be sent; and, of course, when you include roads over which the mail might be sent, that practically includes every road.

Mr. BANKHEAD. The Senator will remember that the Senator from Connecticut has had that expression, "might be sent," stricken out.

Mr. LIPPITT. If the Senator will remember, I asked him a few minutes ago if he had a copy of the bill as amended. I was aware that several amendments had been suggested, but I did not recall exactly what they were. I really had in my mind the purpose of this bill as it was indicated in the bill at the start. I am also aware, as the Senator says, that there are different theories upon which this national aid to State roads may be established; but I think I am absolutely correct in saying that there is an enormous movement going on in this country which, from the way it is conducted, is manifestly very liberally financed. The purpose of it is to obtain national aid, money from the Treasury of the United States, to construct a purely local implement of commerce and trade and transportation.

I am also aware that some of the States, including my own, have already spent enormous amounts of money out of their own treasuries for the construction of such roads. I am aware that if this bill is put into operation the State of Rhode Island will have to pay something like \$750,000, which will be a contribution from the taxable property of the people of Rhode Island to the construction of roads at distant points, where they probably never will have any opportunity of using them at all. They will be obliged to do that although they have constructed their own roads entirely at their own expense. In fact, the operation of this bill is taking away from the State of Rhode Island a source of taxation which they would like themselves to use for the construction of their own roads. They have already spent so much money on them that they are hesitating as to how much further they can go in that direction without imposing undue charges on the people; and now this movement comes along which is going to deprive them of something like three-quarters of a million dollars which they would like very much to spend on their own roads, and which is to be distributed in other parts of the country.

I realize that a large number of the States are going to receive large sums from the operation of this bill, from sources outside of their own borders, which they will have for the construction of these roads; and it seems to me the inevitable tendency of the States will be to find that it is a very good thing, and to come back for more.

Mr. MARTINE of New Jersey. Mr. President, if the Senator will permit me, it seems to me, of course, that the line of argument advanced by the Senator from Rhode Island is applicable to the State of New Jersey. We have spent many millions of dollars in the matter of good roads. We are for-

fortunate in the possession of a comparatively small State geographically, and a very compact settlement, and fortunate in being a wealthy State, and we have spent a very great deal of money on our roads. But, as I said the other day, I advocate this bill; and while I have had some criticism of my advocacy of it, I can not believe that I was elected a Senator from New Jersey or that the Senator from Rhode Island was elected a Senator from Rhode Island simply to look to the interests of our own States, and to look no further than our borders. I feel that we are here for a broader and a bigger purpose, to do that which shall enhance the general welfare and benefit of the whole country. I can understand that our good roads in New Jersey would amount to but little if we had a barrier placed at the State line, and were not permitted to extend over into Pennsylvania and across into New York, and ultimately, mayhap, over into Rhode Island.

So I believe that it is an unwise policy, and it is an unfortunate argument for us to argue simply because we have them, and because we, through the blessings of a Divine Providence, and mayhap fortunate circumstances and surroundings, may have acquired a little more wealth than some of the more sparsely settled communities, that we should be satisfied with ourselves and shut ourselves up in our own shell and say, "To the devil with the hindmost." I do not believe that should be the policy of a Representative or a Senator, for I believe it is not a statesmanlike policy.

Of course, the matter of roads affects us more than directly. It affects us indirectly as well. If Rhode Island is improved, hence the next State is improved, Connecticut is more or less improved, and we catch the drippings of the wealth that comes to us. You can not construct a great public highway system selfishly. We were about the first in this country to start out with a good roads system. We have spent many millions of dollars on roadways. We have seen direct results from it. It has multiplied the value of our acres. It has made homes in the country desirable, which we are all arguing for. We are all seeking to do something that shall prevent the congestion in the great cities and shall cause people to seek rural homes. We have solved the problem very largely, though we have 10,000 miles more to improve. Not only has it directly affected us but it has affected the communities all around us; and for us to stand out in this way, with this idea advanced by the Senator, it seems to me would be most unfortunate.

I feel that the Senator is decidedly unfortunate when he refers to the documents or the literature that have come to us as being a lobby. That is not my idea of a lobby. I had an idea—it may be a mistaken one; I have never had my buttons pulled off by a lobbyist since I have been here—but I had an idea that a lobbyist was a genial, suave, glib-tongued fellow who would gather me in the corners of yonder corridor and tell me that there was "something in it for me." I have had none of that sort of thing. I have had no uncanny methods or unreasonable methods or unjustifiable methods practiced on me. I, in common with the Senator from Rhode Island, have received document after document, map after map, giving me a portrayal of the ramifications of the road system of the country; and I say that I am thankful to the authors, whoever they were—and I do not know who they were—for having sent me such documents. I have gained from them an idea of the roads through Rhode Island, the roads through Georgia and Alabama and South Carolina and Kentucky, if you choose, which I never would have gained otherwise, for I am not one of those blest citizens who happen to own a five-thousand-dollar automobile and can go practically and see these localities. I have taken these lines and delineations that have been presented on these maps. There has been nothing uncanny in that. They have been sent quite broadcast. I have gained from them wisdom and knowledge; and if that be called lobbyism, then Godspeed lobbyism! I do not care how much may come of it.

I am in favor of this bill because I believe that the ramifications of a great road system can never come in this country without Government aid; and I believe that the people of the State of New Jersey, even with all that they have spent, will willingly bear their share in order that they may aid Mississippi, and that they may aid Rhode Island and Pennsylvania and the Southern States, if you choose.

I hope the bill will pass.

Mr. LIPPITT. Mr. President, I did not bring up the question of lobbying on this bill, if the movement may be so described, because I objected to it. I do not. I thoroughly agree with the Senator that it is the privilege and the duty of American citizens who are interested in any project, whether it is good roads or something else, to have their views presented before the Members of Congress and to take all legitimate means to do so. I do not sympathize in the slightest degree with the criticism which

has been frequently levied in this body in regard to what has been called, as a convenient name for it, lobbying. I think it is a proper movement, and that without it we should be carrying on a great part of our business in ignorance of the facts.

What I brought the matter up for was because the Senator from Georgia [Mr. SMITH] had made the remark that he did not think this appropriation would mean that the States were going to rely in the future upon national aid. Now, he may be correct; I do not know; but it seems to me that this is simply the entering wedge for an enormously expensive expenditure by the Government of the United States. I believe that the very remarks which the Senator from New Jersey [Mr. MARTINE] has just made in favor of this movement indicate the great lengths to which it will ultimately go. I think it is only reasonable and proper that in the consideration of this initial movement we should have in our minds the probable extent and the probable result of it; and I think it is eminently proper that I should call to the attention of the Senate the effects which it will have on my own community and that I should present those facts in such a way that they will realize exactly what it means to us.

Mr. TOWNSEND. Mr. President, I hope the amendment offered by the Senator from Ohio will not prevail. It occurs to me that there has been no question that has been more intelligently urged by the people of the United States than has the one referring to good roads. In practically all of the States, at least in most of them, they have commissions which have made a very careful and a very thorough study of this subject. They are asking that this legislation be enacted. They have a right to ask for it.

The Federal Government is directly charged, under the Constitution, with the construction and maintenance of post roads. That language is more clear than is the language under which the Government proceeds with the development and improvement of rivers and harbors. It is true, of course, that under the river and harbor provision only a few States, comparatively, get the appropriations, but those appropriations are made for the benefit of commerce. The appropriations here are proposed for the benefit of post roads, in which all of the people are interested. Now, most of these State organizations, practically all of them, have decided that the half-and-half proposition was a practicable and an equitable one. That is arbitrary, of course. We could decide on paying one-third, possibly, as well as one-half; it would make no difference as to new mileage; but all of the arguments, all of the propositions which have been considered by the States have been based upon this 50 per cent division.

I agree with the Senator from Georgia that national aid is not going to prevent the building of roads. The movement is on. I confess that I have hesitated sometimes about starting this matter—not that we have not a right to do it, but because it might ultimately lead to very enormous expenditures on the part of the Government. I have also thought that possibly this was not a good time to begin. The Government is incurring unusual expenses; the Treasury is embarrassed. But the sentiment for Federal aid is abroad in the land. Nothing is more clearly settled on the part of the people than the question of Government aid for good roads.

I believe the bill of the Senate committee as here presented is the best under all the circumstances which has been conceived and brought to the attention of either House. It means good roads, in my judgment. I do not believe that the money will be squandered. The experimental period for building roads, as to material and method of construction, has passed. It has cost a good deal for the States to learn how to build roads, but to-day that question is practically settled. The Secretary of Agriculture will be surrounded by experts who understand the situation.

We are in reality, as the Senator from New Hampshire has said, spending the people's money. Whether it is taken from the individual States or a part from the Federal Government, it all belongs to all the States. Therefore, inasmuch as this plan has been worked out, inasmuch as it has become the settled conviction of the States that this is the proper proportion, it seems to me that it would be wise to follow the recommendation of the committee and adopt the bill as presented by it.

Mr. NORRIS. Mr. President, I sincerely trust that the amendment offered by the Senator from Ohio may be adopted. It is true, as the Senator from Michigan [Mr. TOWNSEND] and the Senator from Georgia [Mr. SMITH] have said, that the States will build a great deal of road, regardless of Federal assistance; that the roads built in the State with Federal assistance will be small in comparison with the roads the States will build on their own account. At the same time, it seems to me that those very facts constitute a good and valid argument why the amendment of the Senator from Ohio should be

adopted. It means, if it is adopted, that under this bill, if it becomes a law, there will be one-third more mileage of road constructed than though it were not adopted.

I would not want to make any Federal contribution so small that the State would not take advantage of the Federal statute and provide the necessary supervisory machinery to get Federal aid, but when we fix a proportion that will bring the States in to get this aid we ought to fix it at just as small an amount of Federal contribution as will have that effect. Nobody denies but that one-third is amply sufficient to accomplish that. As the Senator from Rhode Island [Mr. LIPPITT] says, it spreads the appropriation out a good deal wider and further.

It does not affect, Senators must remember, the amount of Federal contribution. That will be just the same. If this amendment prevails, instead of applying a Federal contribution over a road, say, 9 miles in length, it will add a third to it. The fact that the States are going to build roads in addition to Federal-aided roads, as the Senator from Michigan and the Senator from Georgia say, is a convincing proof that they will take advantage of the Federal statute if the proportion is fixed at 33½ per cent of the Federal contribution.

I offered an amendment the other day making the per cent 25 instead of 50, and we debated that at length. It seemed to me that that amendment ought to have been adopted, but the Senate in its wisdom thought otherwise and voted it down.

Mr. LANE. Mr. President—

Mr. NORRIS. I yield to the Senator from Oregon.

Mr. LANE. With all due deference to the Senator, I do not understand the logic of his reasoning when he supposes that the States will build more roads if they receive only 33½ per cent contributions from the Government than they will if they receive 50 per cent. It does not seem reasonable on the face of it. If you increase the contribution, it would seem to me that they would build more roads; that the more money they receive the more they will build. If by reducing the appropriation from 50 per cent to 33½ per cent and by doing so get more roads, why do you not cut it down to about 10 per cent and secure still more roads?

Mr. NORRIS. I answered that argument the other day when the Senator was not here, but I will answer the suggestion he made now, and I will convince him that I am right. Let us take an actual case. Suppose that as an actual contribution to the State of Oregon under this bill after it becomes a law the State is apportioned \$200,000. The bill as it stands now provides that the State of Oregon must put in \$200,000, and that the \$400,000 will be used to build roads in Oregon. That is the Federal contribution on the 50 per cent basis.

If the amendment of the Senator from Ohio prevails, then the State of Oregon will get the same \$200,000. It does not change the amount that the State gets. But instead of the State of Oregon being compelled to put up \$200,000 to meet that \$200,000, it will have to put up one-third more, and with that they will construct a road that is one-third longer.

Mr. LANE. That is all right, but I do not think it will appeal to the practical people of Oregon that they will get more at 33½ per cent than if it were 50 per cent or 60 per cent or 70 per cent. They would like it much better if you would put it all in.

Mr. NORRIS. Certainly.

Mr. LANE. The people of Oregon are building on the half-and-half principle harbors and other improvements. They are quite used to that system, and they put up more than any other State in the Union in proportion to their population and the amount of improvements carried on in the way of harbors. If you cut it to 33½ per cent I do not think they will look upon it as an extra inducement to build roads. In fact, I think you will get more miles of road if you keep it at 50 per cent. The argument is a little erratic.

Mr. BANKHEAD. Mr. President—

Mr. NORRIS. Just a moment. It can not be possible that we will get more roads built if we let it remain at 50 per cent instead of 33½ per cent, unless you assume that the State will not take advantage of the Federal statute. If the State takes advantage of the Federal statute, then, with this amendment of the Senator from Ohio, it follows, just as the night follows the day, it is mathematically true that there will be one-third more roads constructed under Federal supervision than though the amendment were defeated. I yield to the Senator from Alabama.

Mr. BANKHEAD. I should like to know by what process of reasoning the Senator from Nebraska concludes that 33½ per cent is as much as 50 per cent and that the State will get just as much money from an appropriation of 33½ per cent as it would from an appropriation of 50 per cent?

Mr. NORRIS. Does the Senator contend that if the amendment of the Senator from Ohio prevails the amount of money that goes to the State will be cut down?

Mr. BANKHEAD. The Senator contends that it would be cut from 50 per cent to 33½ per cent.

Mr. NORRIS. The Senator has not examined the amendment or the bill where the amendment applies. It has nothing whatever to do with the Federal contribution paid to the States. If the Senator will examine the bill he will find that it can not be otherwise. If it is as he states, then the Senator from Ohio will be willing to withdraw his amendment. But the bill provides that a certain appropriation, \$5,000,000 for the first year, shall be divided up between the States on a certain proportion, one third according to population, one third according to the geographical division of the State, and the other third of it in proportion to the roads that are already in existence in the State compared with the roads all over the country. So it is definitely determined just to a cent how much each State will get. But the proposal also provides that when the Federal Government contributes something to the State it will contribute only 50 per cent. That is, if it puts in \$100,000 the State must put in \$100,000. The same amount goes in every case. You can take any State in the Union and tell now from the statistics already in the record just to a cent what each State in the Union will get.

Mr. McCUMBER. Mr. President—

Mr. NORRIS. The only question is whether we shall compel the State to build one-third more road in order to get its contribution or whether we shall leave it as it is in the bill. I yield to the Senator from North Dakota.

Mr. McCUMBER. Putting it down to a practical proposition, under the present bill the Government pays for one mile of road provided the State pays for another mile.

Mr. NORRIS. That is right.

Mr. McCUMBER. Then you have 2 miles.

Mr. NORRIS. Yes.

Mr. McCUMBER. Under this amendment the Government will pay for 1 mile provided the State pays for 2 miles.

Mr. NORRIS. Exactly.

Mr. McCUMBER. And you will have 3 miles instead of 2.

Mr. NORRIS. Yes; that is the effect of it.

Mr. McCUMBER. That is the sum and substance of it.

Mr. SMOOT and Mr. BANKHEAD addressed the Chair.

Mr. NORRIS. I yield to the Senator from Utah.

Mr. SMOOT. That would be absolutely true if the Government was going to provide one-half of the money to enable the State to build all the roads the State desired to build, or, in other words, if the State had a desire to build a thousand miles of road and the Government of the United States would pay half of the expense. Then the statement of the Senator from Nebraska would be absolutely true. But that is not the case under this bill. For the first year there is \$5,000,000 appropriated. The State of Utah gets under the apportionment only \$57,950. The State of Nebraska gets only \$110,700.

Mr. NORRIS. Nobody disputes that. Everyone knows that that is true.

Mr. SMOOT. Now, if the State of Nebraska was going to build roads to the value of only \$220,000 during the year, then the statement would be absolutely true. But the State of Nebraska is going to spend more money than that in building roads. The State of Utah is going to use more money than she will get by three or four times the amount. Therefore, it makes no difference in the amount appropriated under the bill as to the amount of roads that she will build, and no difference whether the Government pays one-third or one-half, the amount of appropriation will be exactly the same.

Mr. NORRIS. Let me take up the Senator's objection that far. Everyone has said that the States are going to build more roads than the bill provides shall have Federal aid. There is no one who has denied that. But the fact that the State of Utah is going to get a certain amount of money under the bill is not changed to a farthing by the amendment of the Senator from Ohio. It will spread that money out over a road that is one-third longer than though the amendment were not adopted. So the effect will be to get more Federal-aided roads in the State than though the amendment were not adopted. That is true, mathematically. There is not any possibility of a successful contradiction of it.

Mr. SMOOT. I would rather have a State-controlled road, if the State has to pay for it, than a Federal-controlled road in the State.

Mr. NORRIS. If the Senator feels that way, then we ought to vote against the bill entirely and not have any Federal aid.

Mr. LANE. Mr. President, the argument reminds me of the elderly maiden lady who kept a boarding house, who stated "that she sat pensively by the kitchen window stretching beefsteak for supper." Of course it would go further, but there was less beefsteak for the individual boarder. [Laughter.]

Mr. NORRIS. There will be exactly the same amount of beefsteak. That is not changed by this amendment. The beefsteak to the very ounce will remain the same, but there will be a longer slice of beefsteak than though the amendment were not adopted. Its form will be changed. In other words, there will be more Government-aided roads in every State of the Union by one-third if this amendment is adopted than though it were not adopted. Now, why should not that be the case? It seems to me that we are representing here the Federal Government. The contribution of the Federal Government in making roads in a State is liberal. It seems to me if we contribute 33 1/3 per cent it is a very liberal contribution. It is arbitrary, no matter what figure you put it on, and no man can say exactly what will always be just. We necessarily have to agree upon an arbitrary figure, but the use of the road as an interstate proposition will not be, in my judgment, on the average one-tenth as much as the use of the road for a local, State, or county proposition. Therefore we ought to contribute, it seems to me, from the Federal Government something in proportion to the value of the road as an interstate proposition. Therefore it appears to me that the amendment ought to be adopted.

Mr. SMOOT. Mr. President, when the Senator from Nebraska offered his amendment to reduce the amount provided by the Government of the United States for the building of roads from 50 per cent to 25 per cent I opposed that amendment and gave my reasons for my opposition. Those reasons are exactly the same as I would advance to-day in opposition to the amendment of the Senator from Ohio. It seems so simple to me that I can not conceive how there can be any misunderstanding as to the result. The bill, if it becomes a law, will provide an appropriation for the first year of \$5,000,000 of Federal aid for building roads in the different States. That \$5,000,000 is apportioned to the different States based upon the population of the State, the area of the State, and the number of miles of rural-delivery and star-service routes. The apportionment is made upon those three heads.

Mr. President, I will not take the time of the Senate to name the amount of appropriations in each State under that apportionment, but it is so small that it will build in my own State 4 miles of road. In the State of Massachusetts, I think, it would build 7 miles of road. So I might name all the States, and the result would be in the same proportion.

Mr. POMERENE. Does not the Senator from Utah refer to the small amount which is carried by the bill for the first year? Does not the Senator realize that this is just the beginning of a system of road improvement, and that the policy which is adopted now is going to be more or less permanent in character? In view of the fact that there are so many thousands of miles of roads to be built, and in view of the further fact that the Senator concedes that the greater portion of this road building is going to be done by the State authorities themselves, or by the authorities of the smaller geographical divisions thereof, is not that a reason why, if we determine that the Federal Government shall appropriate only \$5,000,000, it should be so distributed and so expended as to result in the building of the largest possible number of miles of highway?

Mr. SMOOT. The very argument that the Senator makes is the very thing that I am trying to contend against. There is no question but that the money apportioned to each of the States, if they take advantage of it at all, will be exactly the same whether it is one-third or whether it is one-half. Nobody denies that.

This is the proposition, Mr. President: Every mile of road that is built in the State in which the Government appropriates money for the building is virtually under the control of the Secretary of Agriculture. If the State takes advantage of this law, there is no question but that it will get the full apportionment, and there is no question that the apportionment will not be one-tenth of what any one State will build. So it will make no difference whatever if the Government provides 50 per cent of the cost of the road within the appropriation, for the amount of the appropriation will build only a certain number of miles of road. If the Government pays only one-third of the cost, the amount of money received by the State will not affect the number of miles of road the State will build. The State of Utah has to provide for building not only the 4 miles of road or the 7 miles of road in Massachusetts provided for under this bill, but many times the number of miles named. Therefore it makes no difference at all, Mr. President, as to what percentage of the cost the Government pays, providing the appropriation is limited as

the bill provides. But the 50 per cent basis has this advantage: When the State provides the money for the building of additional roads, the State will control the roads built entirely by it; and when the Government of the United States makes a part payment upon their construction, the Secretary of Agriculture will virtually control them. It is wrong in principle, and I can not see but that it is as plain a proposition as a, b, c.

Mr. GALLINGER. Mr. President—

Mr. SMOOT. I yield to the Senator from New Hampshire.

Mr. GALLINGER. There are times when the people of the country take some interest in the proceedings of the Congress of the United States and when they refer to the CONGRESSIONAL RECORD. I think this debate will be read by the people of the country largely, and I ask the Senator from Utah if he will not include in his remarks the table showing the amount which will be distributed to each State under this bill?

Mr. SMOOT. I shall be glad to do so, and I now ask consent, Mr. President, that the apportionment of the appropriation carried by the Senate committee bill on the basis as named by me, be inserted in the RECORD, without reading, as a part of my remarks.

Mr. POMERENE. Does the Senator from Utah refer to the table accompanying the report of the committee on the bill?

Mr. SMOOT. That is what I had reference to.

The VICE PRESIDENT. In the absence of objection, permission to insert the table referred to by the Senator from Utah will be granted. The Chair hears none.

The table referred to is as follows:

Apportionment of appropriation carried by Senate committee bill on basis of area, population, and rural-delivery and star routes.

State.	Apportionment of—				
	\$5,000,000.	\$10,000,000.	\$15,000,000.	\$20,000,000.	\$25,000,000.
Alabama.....	\$107,200	\$214,400	\$321,600	\$428,800	\$536,000
Arizona.....	71,750	143,500	215,250	287,000	358,750
Arkansas.....	84,850	169,700	254,550	339,400	424,250
California.....	155,750	311,500	467,250	622,000	777,750
Colorado.....	86,800	173,600	260,400	347,200	434,000
Connecticut.....	31,900	63,800	95,700	127,600	159,500
Delaware.....	8,300	16,600	24,900	33,200	41,500
Florida.....	56,050	112,100	168,150	224,200	280,250
Georgia.....	138,650	277,300	415,950	554,600	693,250
Idaho.....	62,750	125,500	188,250	251,000	313,750
Illinois.....	228,800	457,600	686,400	915,200	1,144,000
Indiana.....	140,600	281,200	421,800	562,400	703,000
Iowa.....	150,700	301,400	452,100	602,800	753,500
Kansas.....	148,750	297,500	446,250	595,000	743,750
Kentucky.....	100,600	201,200	301,800	402,400	503,000
Louisiana.....	67,950	135,900	203,850	271,800	339,750
Maine.....	48,750	97,500	146,250	195,000	243,750
Maryland.....	44,150	88,300	132,450	176,600	220,750
Massachusetts.....	76,000	152,000	228,000	304,000	380,000
Michigan.....	150,650	301,300	451,950	602,600	753,250
Minnesota.....	146,050	292,100	438,150	584,200	730,250
Mississippi.....	91,400	182,800	274,200	365,600	457,000
Missouri.....	175,550	351,100	526,650	702,200	877,750
Montana.....	100,850	201,700	302,550	403,400	504,250
Nebraska.....	110,700	221,400	332,100	442,800	553,500
Nevada.....	60,950	121,900	182,850	243,800	304,750
New Hampshire.....	21,650	43,300	64,950	86,600	108,250
New Jersey.....	60,800	121,600	182,400	243,200	304,000
New Mexico.....	82,350	164,700	247,050	329,400	411,750
New York.....	258,500	517,000	775,500	1,034,000	1,292,500
North Carolina.....	116,400	232,800	349,200	465,600	582,000
North Dakota.....	78,400	156,800	235,200	313,600	392,000
Ohio.....	193,700	387,400	581,100	774,800	968,500
Oklahoma.....	118,250	236,500	354,750	473,000	591,250
Oregon.....	81,450	162,900	244,350	325,800	407,250
Pennsylvania.....	239,050	478,100	717,150	956,200	1,195,250
Rhode Island.....	12,050	24,100	36,150	48,200	60,250
South Carolina.....	74,100	148,200	222,300	296,400	370,500
South Dakota.....	83,750	167,500	251,250	335,000	418,750
Tennessee.....	118,250	236,500	354,750	473,000	591,250
Texas.....	301,050	602,100	903,150	1,204,200	1,505,250
Utah.....	57,950	115,900	173,850	231,800	289,750
Vermont.....	23,600	47,200	70,800	94,400	118,000
Virginia.....	102,000	204,000	306,000	408,000	510,000
Washington.....	73,250	146,500	219,750	293,000	366,250
West Virginia.....	55,050	110,100	165,150	220,200	275,250
Wisconsin.....	132,200	264,400	396,600	528,800	661,000
Wyoming.....	63,750	127,500	191,250	255,000	318,750
Total.....	5,000,000	10,000,000	15,000,000	20,000,000	25,000,000

Mr. GALLINGER. If the Senator from Utah will permit me just one remark—I have not taken much time and do not intend to do so in this debate—I want to say to the friends of the bill that, if the Federal appropriation is reduced, I think we are going to be confronted with the proposition that a great many States will refuse to accept this law which States might otherwise accept it.

Mr. SWANSON. Mr. President, will the Senator from Utah yield to me for a moment?

Mr. SMOOT. I yield to the Senator from Virginia.

Mr. SWANSON. The provision which was included in the Post Office appropriation bill for \$500,000 seven years ago, was apportioned among the States, providing for a one-third payment by the Government, and a great many States refused to take their apportionment on account of the small proportion which was given. That action satisfied me that a great many States, if we appropriate but one-third, will not avail themselves of the law.

In addition to that, I should like to say that the subcommittee which prepared this bill discussed and considered the matter very carefully whether this proportion should be one-third or one-fourth or one-half and then inserted "not exceeding one-half." A great many roads that are expected to be improved under this legislation are roads which go through poor communities, and in most of the States roads do not have State aid, but have local aid. Very frequently there is a part of a road which is good and then you will come to points where it is very bad; places where there is a length of 5 or 10 miles of road which is very bad. That occurs because the community is very poorly off, taxes can not be raised, and the State law does not permit the road to be improved. Consequently the entire road is no better than the poorest link in it. We thought if we framed the legislation to read "not exceeding one-half" it would be more effective, because it would enable the Federal Government to aid the places where there are small links of road which are so bad that they ruin the entire road. The contribution is not compelled to be one-third. If any State wants it to be one-third, it makes application for one-third, or if the application be for one-tenth, one-tenth may be allowed under this bill. I think it would be a mistake to fix the amount at "not exceeding one-third."

The committee has discussed that matter fully and examined the conditions in the various States, and I think it would seriously hurt the bill if the amount should be reduced from one-half.

Mr. SMOOT. Mr. President, in that connection I wish to call the Senator's attention to a situation in road building. Roads outside of the limits of small towns, both county and State, are generally found to be better than the roads of said towns. We find that it is impossible for the small town to keep the roads in a condition they ought to be kept or to construct proper roads in the first place. I believe that situation is found in small towns all over the United States. The best constructed roads in the United States are those built and controlled by the counties and State, because of the fact that the counties and the State can raise sufficient money to build first-class roads in the first instance, whereas in the little towns, with but a limited amount of property on which to raise taxes, it is an impossibility for them to construct such roads as should be constructed.

I sincerely trust, Mr. President, that the amendment offered by the Senator from Ohio [Mr. POMERENE] will not be adopted.

Mr. LODGE. Mr. President, before the Senator from Utah takes his seat—I do this with great timidity, because I know the Senator's power when he is dealing with figures, for I have seen him figure percentages too often to feel any confidence in asking him a question—I wish to state that the point which troubles me is this: Under this bill a State can only get the Government apportionment by building an equal amount of road with that constructed by the Government. It is quite true that most of the States—perhaps all of the States—will build more roads in a year than the Government apportionment may demand; but suppose a case; suppose we build a good road in Massachusetts and our allotment is \$76,000. In round numbers, that is $7\frac{1}{2}$ miles of road at the price which our State roads cost us. Now, suppose we build no more roads after the apportionment has been made except what are necessary to get our apportionment, we should have to build, as I understand, under this bill $7\frac{1}{2}$ miles of road; we should have to build an equal amount with that built by the Government in order to get the apportionment.

Mr. SWANSON. The States would have to either build or repair the roads.

Mr. SMOOT. Then, that is worse than ever.

Mr. LODGE. Yes; that is worse than ever.

Mr. TOWNSEND. The bill does not say "repair."

Mr. SWANSON. To keep in repair. As I understand the bill, if you have a macadam road that has absolutely run down, which is in real bad shape, you can improve that road up to a certain condition if you will agree to maintain it after that.

Mr. TOWNSEND. To rebuild it?

Mr. SWANSON. To rebuild it.

Mr. LODGE. That is equivalent to the same thing as building. We have to either rebuild or to build the road. I do not mean we have to build a new road, but to build our part

of it. This confines it to doing-over old roads, as a matter of fact, but the State will have to spend an equal amount with the Government. Now, if you make it one-third, you have to build 15 miles of road.

Mr. SMOOT. That is true.

Mr. LODGE. That is the whole proposition with me—that if you make it a third for the United States, then you compel the State to build 2 miles for 1, instead of 1 mile for 1.

Mr. SMOOT. That is true.

Mr. LODGE. The Senator does not question that?

Mr. SMOOT. Not in the least.

Mr. LODGE. I am glad to find that I was not mistaken. The Senator's proposition is that it is all idle what ratio we put in the bill, because every State will build a good deal more than its allotment will be under this proposed law.

Mr. SMOOT. That is my position.

Mr. LODGE. I do not know how true that is, of course.

Mr. SMOOT. The Senator can get some idea of the correctness of my statement by simply referring again to the figures to which he himself has referred; that is, those affecting the State of Massachusetts with her area, her population, and the length of her roads. Under the apportionment of \$5,000,000 Massachusetts will get \$76,000. That means, as the Senator says, $7\frac{1}{2}$ miles of road for the Government and $7\frac{1}{2}$ miles of road for the State, or, in other words, 15 miles of road for the first year.

Mr. STERLING. Mr. President, if the Senator will permit me, I should like to ask if it is the Senator's understanding of the bill that it will require an equal number of miles of road to be built by the State and by the National Government?

Mr. SMOOT. Certainly.

Mr. STERLING. Is not this the provision—

Mr. SMOOT. That is, a certain amount of money must be contributed by the State; I did not mean to say "miles of road."

Mr. STERLING. A project is submitted by the highway commission of the State for the building of a certain road. The proposition is not that the Government and the State shall build an equal number of miles of road, but the Government will contribute 50 per cent of the amount required for that project. It is not contemplated, as I understand, that the Government shall double the number of miles of road constructed by the State.

Mr. SMOOT. It is virtually the same thing, I will say to the Senator.

Mr. STERLING. It is not quite the same thing. If the Senator will allow me a further suggestion, I conceive this to be the situation—it will be the situation in many of the States, at any rate: The highway commission will select a particular stretch of road in the building of which they will say, "We should like Federal aid, to the extent of 50 per cent." They will submit that project to the Secretary of Agriculture for his approval. That will leave them money to devote to the building of other roads than this particular project. That is the proposition, I think, involved in the bill—not that the State shall build one-half of the road and an equal number of miles of road be built by the Federal Government, but that both will contribute one-half to one certain project.

Mr. SMOOT. This is the language, Mr. President, of the amendment reported by the committee to the House bill:

If the Secretary of Agriculture approve the plans, specifications, and estimates, he shall notify the State highway department and immediately certify the fact to the Secretary of the Treasury. The Secretary of the Treasury shall thereupon set aside the share of the United States payable under this act on account of such project, which shall not exceed 50 per cent of the total estimated cost thereof.

Mr. STERLING. Yes; that is it.

Mr. SMOOT. That means that if the plans and specifications for building 15 miles of road, we will say, or 100 miles, or whatever it may be, are approved, and if the cost of that project is not more than double the amount of the State's apportionment, the Secretary of the Treasury extends the Government's credit for half of the amount, and the State is to pay the other half, but it must be devoted to work on that project, not for building roads on the part of the State in some other county or in some other part of the State. The money has to be expended on that particular project which has been approved; otherwise the State can not get one cent of the apportionment.

Mr. SMITH of Arizona. Mr. President, if the Senator will allow me to make a suggestion, I do not claim to understand this bill very well; but my impression is that the Government, before it contributes anything, requires the State to contribute an equal amount at least. Suppose the State engineer of the State road authority, whatever it is, concludes to build 50 miles of road, and the Government's contribution would not build, say, 10 miles of it. On the showing by the State that it

has not only equaled the Government's contribution but has sufficient funds itself to complete the project, does the Senator feel that the State, under the bill, would be prevented from building 50 miles of road, even though the Government's contribution was adequate only to build 10 miles of the road?

Mr. SMOOT. Mr. President, the provisions of the bill are such that after the Secretary of Agriculture has approved the plans and specifications for a particular project the Government controls only the length of the road that falls within the apportionment made under this bill to the State. If a certain project requires the full amount of a State's apportionment, it has to be devoted to that one project. If a certain project does not call for the full amount, then the Government could contribute to two projects or three projects, but each project must be approved by the Secretary of Agriculture and the plans and the specifications must be submitted to and approved by him before the work is undertaken by the State. After the plans and specifications are approved and after certification is made to the Secretary of the Treasury he then gives to the State the credit for one-half of the amount, but the money must be expended upon that particular project and no other.

Mr. President, it does seem to me that we ought, at least, if we are going to provide any aid at all from the Government, make the amount to be contributed by the Government 50 per cent, particularly when the Government has absolute control of the road constructed.

Mr. TOWNSEND. Mr. President, does it not also occur to the Senator that, inasmuch as the Government has to supervise that part of the road which it helps to construct under this apportionment, the shorter the mileage it has to look after, the better it will be for the Government?

Mr. SMOOT. Yes; the better it will be for the Government, and the better it will be for the State, as I have said before.

Mr. President, I do not want to be misunderstood about this subject. I do not think the method provided by this bill is the proper method for the Government to pursue in aiding the building of roads in States. I have already presented, and will offer just as soon as I have an opportunity to do so; that is, when the amendment reported by the committee is perfected, what is known as the Bourne bill as a substitute. I am not going to discuss it at this time, but will offer it as a substitute for the pending amendment reported by the committee. I hope the Senate will give attention to the provisions of the amendment which I shall offer. It completely solves the road question, in my opinion, and it does not call for a dollar from the Treasury of the United States, but it does provide that the Government of the United States lend its credit to the States; and that credit being greater than the credit of the States interest will be lower, the difference in the rate of interest in 50 years will pay all the expense of building roads in the States, and the Treasury of the United States will not be called upon to pay one dollar.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Ohio [Mr. POMERENE] to the amendment reported by the committee.

Mr. LODGE. Mr. President, I should like to ask the Senator from Utah if it is his intention to offer his amendment after the pending amendment is disposed of?

Mr. SMOOT. I expect to offer it immediately after the pending amendment is disposed of.

Mr. LODGE. I will wait until that amendment is offered.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Ohio [Mr. POMERENE] to the amendment of the committee.

The amendment to the amendment was rejected.

Mr. SMOOT. Now, Mr. President, I ask that—

Mr. POMERENE. Mr. President, may I ask the Senator if he intends to offer the Bourne bill as a substitute for the pending measure?

Mr. SMOOT. That is my intention.

Mr. POMERENE. I have another amendment which I desire to offer to the bill as reported by the committee, if I may do so at this time.

Mr. SMOOT. Then I will withhold for the present the amendment I intend to offer.

Mr. POMERENE. Mr. President, on page 11, line 13, after the word "require" and before the period, I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 11, line 13, after the word "require" and before the period, it is proposed to insert:

Provided, however, That the Secretary of Agriculture shall approve only such projects as may be permanent in character, and the expenditure of funds hereby authorized shall be applied only to such improvements.

Mr. SMOOT. I will ask the Secretary to read the text as it will read if the amendment be adopted.

The Secretary read as follows:

If the Secretary of Agriculture approve a project, the State highway department shall furnish to him such surveys, plans, specifications, and estimates therefor as he may require: *Provided, however, That the Secretary of Agriculture shall approve only such projects as may be permanent in character, and the expenditure of funds hereby authorized shall be applied only to such improvements.*

Mr. POMERENE. Mr. President, this matter was discussed somewhat at length the other day, and I do not know that I can add very much to what was then said. I suggested at that time that I thought a wise policy would require the Government to limit Federal aid to permanently improved highways. Of course, when this thought is suggested, necessarily it may appear that there are various kinds of road material in the several parts of the country and various characters of highways, and that we ought not to place any improper limitation upon the authority which is given to the Secretary of Agriculture.

The committee that reports this bill has seen fit to provide \$5,000,000 of Federal aid the first year, \$10,000,000 the second, \$15,000,000 the third, \$20,000,000 the fourth, and \$25,000,000 the fifth year. That, of itself, is convincing proof that there must be a limit upon the character and extent of the improvements in which we must participate. Under the language of this bill, if a State highway department presents a plan, no matter what the character of the improvement, and it meets the approval of the Secretary of Agriculture, then the conditions precedent are complied with, and this money can be expended upon the project thus approved. It may be for the building of a brick road, it may be for the building of a macadam road, it may be for the graveling of a highway, or it may be simply to fill a series of mud holes in some unfrequented section of the country, and in the nature of mere temporary repairs.

That is my objection to the bill as it is reported to the Senate. I recognize the fact that these roads must be improved; but the burden of repairs must be borne, under any system that we can devise now, by the State and local authorities.

Mr. TOWNSEND. Mr. President—

The PRESIDING OFFICER (Mr. GALLINGER in the chair). Does the Senator from Ohio yield to the Senator from Michigan?

Mr. POMERENE. I yield.

Mr. TOWNSEND. What do I understand the Senator to mean by the words "permanent in character"?

Mr. POMERENE. Mr. President, the question is a very pertinent one. I do not know that I can specifically define those words. I have used language which, it seemed to me, would convey to the Secretary of Agriculture the thought that this money was to be expended in improvements other than those of a mere temporary character. For instance, those of us who are familiar with the construction of roads in the rural districts know that the local authorities get out in the spring and perhaps throw the earth up into the center of the highway and make gutters along the sides, and that lasts probably for the season, and the next season the same program is to be followed out again.

I do not think the Federal Government ought to undertake the building of a road of that kind. What we are interested in is, first, permanently improved highways, and, secondly, the greatest possible amount of mileage of that kind.

Mr. OWEN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Oklahoma?

Mr. POMERENE. I yield.

Mr. OWEN. I suggest that the language used in the Senator's amendment, "permanent in character," necessarily means relatively permanent in character, because nothing is permanent in any final, critical sense.

Mr. POMERENE. I think the Senator's suggestion is a very good one.

Mr. TOWNSEND. Mr. President—

The PRESIDING OFFICER. Does the Senator from Ohio further yield to the Senator from Michigan?

Mr. POMERENE. Pardon me just a minute. We all recognize that even in Massachusetts, where they have a splendid system of highways—and I am sure they would class them generally as permanent—they are nevertheless required to make constant repairs, as will be the case with any system of road building we may adopt, because there is not any kind of a highway that can permanently resist the elements and the constant travel. So that the suggestion of the Senator from Oklahoma is a very wise one. The phrase means something that is relatively permanent.

I recognize the fact that what might be a relatively permanent highway in the State of Michigan might not be relatively permanent in character in the State of Mississippi or in the State of Florida, and that we must give a great deal of latitude to the Secretary of Agriculture; otherwise we will be doing an injustice toward certain localities, and I would not have that done for one moment. I do feel, however, that we would be going a long distance if we were to attempt to say that in certain localities we will make these temporary improvements. Why, ordinarily, in merely plowing up the gutters and scraping the earth into the center, as we do in many sections of the State of Ohio, I dare say that from \$20 to \$25 a year would pay for that character of improvements, but they are only temporary in character; and if we agree to give Federal aid for improvements of that character, the people living in the vicinity would lose interest, and they would never have a permanent system of highways, but they would be content to go along in the same shiftless kind of a way, allowing the Federal Government to pay one-half of this temporary expense. There can be no question, under the phraseology of this bill as reported by the committee, that the Secretary of Agriculture would be within his full powers if he saw fit to devote this money exclusively to temporary road improving of the kind I have indicated.

Mr. STERLING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from South Dakota?

Mr. POMERENE. I do.

Mr. STERLING. Under the definition of what is permanent in character given by the Senator from Ohio, in which he speaks of the brick road, the macadamized road, the gravel road, and so forth, I fear he would exclude from the operation of this bill many States of the Union. Take it in my own State, for example, as well as in the neighboring State of North Dakota, and I think the same is true largely in Nebraska and in Iowa, it is often very difficult to get material out of which to build a permanent road, according to the Senator's definition of what constitutes a permanent road.

Mr. POMERENE. Mr. President, may I ask the Senator whether they do not have, in certain sections of the State, material which they use in making what I am pleased to call a road of a permanent character?

Mr. STERLING. Very little of it; and I will say that in the State of South Dakota that is in a very remote section of the State. Perhaps in the Black Hills region of the State of South Dakota some road-building material can be obtained, but outside of that I think there is very little.

Let me say to the Senator that there is science in the building of the good dirt road, as we term it. Great progress has been made within the last few years in that respect; and there are whole stretches of roads in our State for the building of which Government aid would be most acceptable. It is often a hardship upon the people of the community, a burdensome tax, to construct the roads in the first place, and to keep them in repair afterwards, even though they be dirt roads.

Mr. POMERENE. Mr. President, I have no doubt the Secretary of Agriculture, in trying to provide equitably under this authority for the different States, would have due regard to the character of the highways and the materials in use in those several States; and I can hardly conceive that there would be any State in this Union which could not get its proportion of the funds under this law and under the amendment, as I have proposed it.

Mr. STERLING. And for that very reason, Mr. President, I see no necessity for the use of the term "permanent in character" in this amendment. If the Secretary of Agriculture will take into consideration the conditions existing in different States, he will say, with reference to Massachusetts for example: "Considering the material you have at hand, the kind of roads you build there, and can build, you should macadamize or build of a particular material"; and he will take into consideration our conditions in the Northwest, and say: "Since other than dirt, as a material for building roads, can not be procured without excessive cost, you will be allowed to formulate your project and submit for approval here one which contemplates the building of the best dirt roads."

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER (Mr. WALSH in the chair). Does the Senator from Ohio yield to the Senator from Utah?

Mr. POMERENE. Surely.

Mr. SMOOT. I want to ask the Senator from South Dakota if it is not a fact that the native sod of South Dakota makes the best road of any material that the people of that State have found?

Mr. STERLING. No; I will not say that it makes the best road of any material that they have found. I think perhaps in

certain localities recently, under the impetus of the good-roads movement, they have, at considerable expense, procured gravel and used it in the construction of a few roads.

Mr. SMOOT. The reason why I asked the question was that I have heard, in the discussion on the side among Senators, the statement made that the very best roads and the most permanent roads they had in North Dakota and South Dakota were the roads build on the natural sod; that they never wanted it plowed up; they wanted it as a base. Now, I may be mistaken, or the person making the statement may have been mistaken.

Mr. STERLING. So far as taking the sod as the basis of the road is concerned, I do not think that can be true.

Mr. SMOOT. I thought it could not be when I heard it. That is the reason why I made the inquiry.

Mr. McCUMBER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from North Dakota?

Mr. POMERENE. Yes.

Mr. McCUMBER. The very best and the most reliable roads we have in the State of North Dakota and all over that State are those that have never been worked in the slightest degree, where we still retain the old sod. No kind of traffic ever seems to cut through that sod; but, of course, there are dips here and there where the road has to be made, and it is necessary in many instances to throw up the road to the center. But if we could retain it and get the drainage the old sod is better than any road that was ever made in the State.

Mr. STERLING. That will apply, I think—and I think the Senator from North Dakota will agree with me—to roads on the highland only, where there never is any bad road at all, where water never settles; but this applies only to very limited parts of the State.

Mr. POMERENE. Mr. President, may I ask the Senator whether that applies to the State of South Dakota as well?

Mr. STERLING. Oh, we have that; yes; where there is no need at all for any road building.

Mr. POMERENE. Then I am quite sure that if my amendment is adopted it will not prejudice the rights of the citizens of the good State of South Dakota.

Mr. STERLING. I fear it would, Mr. President, because there, throughout most of the country, no such condition prevails.

Mr. BANKHEAD. Mr. President, every road engineer in this country, every man who has any reputation at all at stake, understands perfectly well what is meant by a permanent road. It means brick, macadam, or concrete, or material of that kind. You could not find a road engineer, and I do not think you could find a Secretary of Agriculture who had sense enough to sit in his seat in the department, who would say that anything below that could be construed as a permanent road.

There are large sections of the country that can not build roads of that character. No engineer would say that a sand and clay road, which answers every purpose in sections where they can be properly built, was a road permanent in construction; and if this amendment is adopted I predict now that not more than one-half, and perhaps not more than one-third, of the States in the Union will ever take advantage of it or build a mile of road under it.

The bill carefully describes the character of roads to be built. It provides, in the first place, that the State authorities, the State highway commission, shall select the routes on which the roads are to be built. They shall make the plans and the specifications and the estimate of cost. When that has been done, they submit that to the Secretary of Agriculture for his approval. I am free to confess, Mr. President, that in preparing this bill we tried to steer as far away from the Federal Government as we could; but we recognized, and I think every Senator on the floor recognizes, that if the Federal Government is called upon to put up half the money, it ought to have something to say about the character of the roads that are to be built. With the veto power, you might say, of the Secretary of Agriculture as to the character of the road, we ought to have some confidence and trust in the State authorities; and when they have agreed upon the location, the construction, and the cost, it seems to me that Senators ought to be willing to trust that matter to them.

Mr. POMERENE. Mr. President, if the Senator has unlimited faith in these officials—and I have great faith in them, too—why does he go to the trouble in this legislation of providing that the plans and the specifications shall be prepared and submitted to this scrutiny? Why not just leave the whole thing to these different officials, and turn over the money bodily, in the faith that it will be expended so as to get one hundred cents of return for every dollar of Federal money that is put into it?

Mr. BANKHEAD. Mr. President, the answer to that question is so obvious that I shall not consume the time of the Senate in

answering it. I am willing to leave that to their own good sense and judgment.

The Senator from Ohio is distressed for fear that the State highway commission, owing their position, their authority, and their responsibility to their several States, and that the Secretary of Agriculture, in his high place, will consent to the expenditure of money under the provisions of the bill to fill up mudholes somewhere. I can not understand why the Senator from Ohio every time he gets on the floor insists that his fear is this money will be spent somewhere in filling mudholes along some road.

Mr. POMERENE. We had the assurance of the Senator from Alabama the other day that he did not expect to have any of this money expended in that way.

Mr. BANKHEAD. I do not.

Mr. POMERENE. If that be true, then there is not any reason why there should not be some inhibition in the bill against that practice.

Mr. BANKHEAD. The objection I have to the amendment is what I have stated. It makes it impossible and impracticable to operate the bill. I would not say that that is the purpose of it; I do not think it is; but what I fear is that the Senator from Ohio has not considered all the provisions of the bill.

I observe that the hour of 2 o'clock has arrived, Mr. President.

RURAL CREDITS.

The PRESIDING OFFICER. The hour of 2 o'clock having arrived, the Chair lays before the Senate the unfinished business, which is Senate bill 2986.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 2986) to provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to provide for the investment of postal savings deposits, to create Government depositaries and financial agents for the United States, and for other purposes.

Mr. McCUMBER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Gallinger	McCumber	Smith, S. C.
Bankhead	Gronna	Martine, N. J.	Smoot
Borah	Harding	Myers	Sterling
Brady	Hitchcock	Nelson	Stone
Broussard	Hollis	Norris	Sutherland
Burleigh	Hughes	Owen	Thomas
Chamberlain	Husting	Page	Thompson
Clapp	James	Phelan	Townsend
Clark, Wyo.	Johnson, Me.	Pittman	Wadsworth
Clarke, Ark.	Johnson, S. Dak.	Pomerene	Walsh
Culberson	Jones	Ransdell	Warren
Cummins	Kenyon	Robinson	Williams
Curtis	La Follette	Saulsbury	Works
Dillingham	Lane	Shafroth	
du Pont	Lewis	Sheppard	
Fall	Lippitt	Smith, Ariz.	

Mr. LANE. I wish to announce that my colleague [Mr. CHAMBERLAIN] is absent in attendance upon a committee hearing.

Mr. JAMES. I desire to announce that the senior Senator from West Virginia [Mr. CHILTON] is unavoidably absent. He is paired with the Senator from New Mexico [Mr. FALL]. This announcement may stand for the day.

The PRESIDING OFFICER. Sixty-one Senators have answered to their names. A quorum is present. The pending amendment will be stated.

The SECRETARY. The next amendment of the Committee on Banking and Currency is, on page 33, after line 16, to insert:

Taxes or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at the rate of 6 per cent per annum.

Mr. HARDING. Mr. President, I think I have some conception of the importance of the pending measure, and I think I can speak for one Member of this body who knows his lack of qualifications to discuss it in detail. We have in Ohio one of the ablest bankers in the State who has made a study of rural credits a very special matter. I refer to ex-Gov. Myron T. Herrick, who also served his country with great credit to himself as ambassador to France. During his stay in Europe Col. Herrick in the time that he had at his command made a very thorough and a very sincere study of the practice and system of rural credits in Europe. I know that he is very earnestly in favor of some plan of rural credits.

Out of the abundance of his knowledge Col. Herrick has contributed to the New York Sun a criticism of the pending measure. I do not venture to offer his opinion as my own, but I believe it will be helpful to the Members of the Senate if I trespass upon the time of this body to read somewhat from the contribution of Col. Herrick to the Sun. It is a criticism not only of a very eminent and able banker but it is the criticism of one who is very deeply and sincerely interested in this proposition.

I may say for myself before entering upon the reading, that I am not opposed to a practical measure which does not go too far in fixing upon the Government a function that is paternally socialistic. I am trying to learn from Members of this body the real reason, however, for pressing a measure of this kind. I will not assume to say that conditions in Ohio are altogether like those of other States in the Union, but I believe I state an absolute truth when I say that there is no more need for a measure of this kind for the agriculturalists of the State of Ohio than for the Government to step in and take charge of all our industrial and productive affairs in that State.

I know something about the banking business in what is termed an interior county seat, and I know from personal contact with the problem that the average Ohio farmer can secure money more readily than any other person in the State, and he can secure it on less credit than any man in a mercantile or manufacturing enterprise. The rates of interest are not high. I doubt if there is a loan made in the State of Ohio at more than 6 per cent interest, and it can be made for a short or long time, to suit the convenience of the customer.

I only speak of this in passing, because to those of us in Ohio there seems to be no occasion for the passage of such a measure. However, I wanted to present to the Senate the very valuable suggestions of the distinguished banker who has written to the New York Sun somewhat as follows—

Mr. SHEPPARD. Before the Senator proceeds, I wish to ask him if it is not a fact that they have a system of farm building and loan associations in Ohio that have proven very successful so far?

Mr. HARDING. We have a great building and loan system in Ohio. I have never known it designated particularly as a farm building and loan association. Ohio has millions upon millions on deposit in its building and loan societies, and they belong very largely to farmers of the State. As a matter of fact, our building and loan system in Ohio permits loans on collateral security.

Mr. SHEPPARD. I was under the impression that in Ohio they have one form of association adapted particularly to farmers.

Mr. HARDING. No; I think not.

Quoting from Col. Herrick:

The Hollis bill is a defective, useless, and dangerous measure. It is full of flaws, inconsistencies, loopholes, jokers, and meaningless verbiage, besides lacking indispensable clauses, while it flagrantly violates basic principles by substituting the credit of Government for the credit of the land and by clothing land-credit institutions with savings-bank powers and allowing them to pyramid on their credit and encumber their assets with liabilities through bond issues.

In almost every section of the bill there is error on some important point or in respect to minor details, and its general plan is rendered utterly vicious by two monster objects, which are an unjustifiable use of the cash and credit of the United States Government for a special class of private individuals and the creation (too soon after the postal banks) of another Government savings-bank system, absolutely unnecessary and fraught with grave dangers because of wrongful combination with long-term operations. The bill is so bad and faulty that it would not have the ghost of a chance in Congress were it not for the fact that a presidential campaign is near.

The bill includes in its plan such incompatible elements as Federal and private land banks, cooperative associations, so called, and various kinds of mortgaging institutions, whether organized under National or State laws. The latter, however, by the adroit wording of an apparently insignificant clause, must have capital stocks. This deprives life insurance companies, mutual savings banks, and building and loan associations (which are without capital stock) of the tax exemptions, privileges, and benefits of the system. The obvious purpose of this joker is, of course, to place these greatest of mortgaging concerns at a disadvantage as competitors with the new Government institutions to be formed.

This complicated and disorderly system would be, in fact, a bureau of the Treasury Department, supervised and directed by a board consisting of the Secretary of the Treasury and four other appointees of the President and Senate of the United States, and possessing both executive and judicial powers, with the right to regulate interest rates under a prescribed maximum, to take away charters granted by it, and to dissolve the land banks and associations without intervention of the courts. No appeal would lie against any of its acts, its authority being autocratic and supreme, subject only to the general control of Congress.

The provisions relating to private land banks and mortgage institutions organized under State laws and existing national laws are apparently an afterthought, inserted perhaps as a sop to bankers and mortgage men. They are imperfectly worded, however, and have tangled up the proposed system so badly that they satisfy nobody. Their effect would be to confuse Government intervention with private enterprise, and to allow companies conducted for gain to enjoy tax exemptions

and to operate with free or cheap money supplied by the United States. This defect ought to be sufficient in itself to defeat the bill.

The 12 Federal land banks for which the bill provides would be but the start of this State-aided and Government-controlled long-term mortgaging and savings-bank system. The bureau could establish as many more such banks as it deemed advisable. These banks shall each have exclusive districts and capital stocks of at least \$500,000 apiece, capable of indefinite increase. The United States shall appoint the first directors and all the appraisers and registrars. If ordered by the bureau the United States must supply the minimum capital stocks and \$6,000,000 a year. The United States may require the banks to serve as its depositories and financial agents.

The bonds shall be instrumentalities of the Government of the United States. They shall be prepared by the Secretary of the Treasury and the Comptroller of the Currency, and they may be issued only upon the approval of the bureau and when countersigned by its executive officer and secured by mortgages valued by public appraisers, selected by public functionaries and trusted with public registrars. The bonds shall be lawful investment for public and fiduciary funds, for deposits of the postal banks and for funds of the Federal Reserve System, and may be used as security for short-term paper discountable through that system.

The associations for which the bill provides can be formed only by the permission of the bureau and of the Federal land bank of the district. The incorporators must be applicants for loans from such bank, and tender mortgages aggregating at least \$20,000 executed and recorded in its favor. Although designated as cooperative, the associations are not cooperative, for the reason that their directors and officers may be nonmembers, that their loans can not be made except with the consent of public functionaries, that the profits of the system to which they belong may be distributed among outsiders, and that their dissolution can not be effected at the will of the members. The associations would be simply adjuncts for acquiring mortgages and savings from farmers for transmission to the Federal land banks. After a certain number of associations shall have been formed in a district they may join with the United States in electing the directors of the Federal land bank. No other stockholders in such bank shall be entitled to vote.

Manifestly this is far from being a land-credit system. Resting upon the good faith and honor of the United States, it is machinery for utilizing the cash and the credit of the Government and for doling out public funds and granting special favors to a particular class of private individuals. Its purposes are so restricted that its facilities would be useless to the great majority of the farmers. Nobody believes that the establishment of such Federal land banks would be constitutional. The framers admit the unconstitutionality by departing from a true land-credit aim and by empowering such banks to be depositories and financial agents of the United States and components of a Government savings-bank system and by making the bonds the credit instruments of the United States Government.

Senator HOLLIS promises that these clauses would be a dead letter. But this legerdemain renders the proposed system doubly dangerous and unjust, because, while lulling the taxpayers into a false feeling of security, it would make the United States the guarantor in fact of the deposits, savings, shares, and bonds of the system. Investors would not bother themselves about the mortgages or borrowers. They would look to the United States Government for the return of their money, with every logical and legal right to do so, and all land-credit features of the system would disappear.

Congress and the people have failed to grasp the full significance of this Hollis bill and the appalling extent of the State aid to be granted and the liabilities to be incurred under it by the United States. Misled into believing that the proposed system is cooperative and would be managed by the farmers at their own risk and expense, and deceived by assurances that only 12 Federal land banks are to be established, that the shares of the United States may be withdrawn, and that only \$6,000,000 are to be advanced a year out of the United States Treasury, they have closed their eyes to the fact that a use of Government cash and Government credit is contemplated for private purposes on a scale never attempted in any other country.

The tax exemptions to be accorded are unparalleled. Every Federal land bank and every association, its capital stock, shares, reserves, surplus, and income, together with the bonds of the Federal land banks and the mortgages of the private land banks, shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate. The exemption of mortgages when used as security for bonds is not objectionable, since it would prevent double taxation.

But to exempt bonds, shares, and deposits without limiting the amount in the hands or name of one person, as in the Hollis bill, can not be justified, because it would relieve from taxation the wealth of those who are not the intended beneficiaries of the system and simply shift the inevitable burden of taxes to other kinds of real and personal property. The object of this total tax exemption is, of course, to divert funds from existing savings banks and building and loan associations and, if possible, to put these private mutual and cooperative concerns out of business.

The \$6,000,000 of 2 per cent money which the bill calls for would be a very minor part of the eventual investment of the United States in the proposed system. The Secretary of the Treasury could deposit unlimited sums at the same low interest rate in the Federal land banks. The bureau could establish hundreds of Federal land banks, if it chose, and compel the United States to supply the minimum capital stocks of all by subscribing to shares yielding no dividends. And this would but open the way for still further outlays, by reason of certain remarkable clauses which would deprive the Federal land banks of most of the cash profits and require the United States to stand good for practically all the losses of the associations and to put \$1 into the system for every \$20 of loans made.

This astounding result would come from the peculiar and impracticable arrangement whereby an association, if it need money for current expenses, may borrow the same from its Federal land bank, to be paid back only from dividends belonging to the association. Again, the associations must subscribe for shares in their Federal land bank up to 5 per cent of any funds obtained from it for making loans to their members. The associations shall, in their turn, require subscriptions for their own shares by borrowers up to a like percentage of their loans.

Then comes the joker, which is that the borrowers could compel the Federal land banks to advance them the money necessary for buying their obligatory shares in the associations and for meeting all the costs of the loans. The United States would, of course, take this burden upon itself, because private investors would not be so benevolently inclined as to tolerate the use of their funds by farmers for buying

shares and meeting deficits in the associations of an experimental system.

In this roundabout and absurd way the profits, reserves, and surpluses of the Federal land banks would be consumed in creating the system and meeting the costs and losses of its business. The United States would have to supply all the initial share capital of the associations, as well as the capital stocks of the land banks, while any individual member, however humble he be in private life, could force the United States to put up \$1 for every \$20 of loans made through the system.

This places the capstone on this State aided and centrally controlled Government system. The possible drain on public resources is incalculable. Senator HOLLIS, in keeping with his designs, has very properly taken the lock off the doors of the United States Treasury and backed the tax exempted credit instruments by the mutual liability of all the land banks and the guaranty of the United States Government, in order to supply the never ending and continually increasing demand for funds. However, if State aid must be granted it would be far better for Congress to appropriate fixed annual sums for giving bonuses to rural landowners than to involve the credit of the United States indefinitely through the indirect, cumbersome, and expensive way proposed by the Hollis bill.

In order to allay alarm Senator HOLLIS assures the public that the connection of the United States with the proposed system would be only temporary. But a fair interpretation of the bill constrains us to construe these assurances in a strictly Pickwickian sense. True, there is a clause providing for the retirement of the United States as a stockholder in the Federal land banks, but it is nullified by other clauses.

The retirement is to begin when the holdings of other parties amount to \$500,000, but only one-fourth of new subscriptions are to be used for the purpose. The \$500,000 would probably come from the obligatory shares of borrowers, and so represent the initial \$10,000,000 of loans. Such shares must be pledged until the loans be fully paid; this could not be less than 5 years and might be 36 years. The capital stock must be maintained, with surplus, at one-twentieth at least of the bonds in circulation, while no bonds could be recalled before 10 years from date.

In the face of these inconsistencies and of enormous liabilities piled up in the system the Government's retirement becomes a remote and shadowy right which could hardly be exercised with honor. The Government's connection as a stockholder, however, is a comparatively insignificant matter. It is the establishment and participation in the management of the system, together with the governmental quality given to the credit instruments, which would make the United States responsible for the obligations, whether a stockholder or not.

The savings-bank features of the proposed system result from the following clauses: Deposits of any amount may be received by a Federal land bank from the holder of one share of its capital stock. The shares shall be \$5 apiece, withdrawable under rules prescribed by the bureau, and may be held without limit as to number by any individual, firm, association, corporation, or the Government of the United States or of a State. Deposits of any amount for transmission to its Federal land bank may be received by an association from anybody, member or outsider. The shares of an association are also withdrawable, and only \$5 apiece, and may be issued without limit as to number to any member. Because of the withdrawal right, the shares are simply time-deposit certificates. The deposits received may consist of current funds—that is, be checked out in cash on demand.

Thus the Hollis bill plans to give to this long-term mortgaging system not only direct aid from Government but to finance it with short-time and even demand deposits coming from public and private sources. The Secretary of the Treasury could deposit in the Federal land banks all the cash which the United States had on hand. States and private concerns and individuals could deposit in such banks all their funds and relieve them from every kind of taxation. There is no foretelling the amount that might be attracted by this total tax exemption and the promise of Federal functionaries to pay high interest rates. In his report Senator Hollis revels in the dream of a never-ending flow of savings and deposits. Exulting over the enormous possible supply, he says:

"It includes the ordinary savings of the school-teacher, clerk, minister, and wage earner; the proceeds of life insurance in the hands of widows and other beneficiaries; funds belonging to estates, minors, and wards in chancery in the hands of executors, guardians, and trustees; funds of insurance companies, benevolent orders, and societies of various kinds; endowments of colleges, hospitals, museums, and other institutions; and assets to be invested by receivers, courts, and Governments."

The aggregate of these has a value exceeding that of all farm property, and its annual income is greater than that of agriculture, while it represents more people than there are farmers in the United States. Much of this vast wealth is already lent to farmers or invested for the benefit of agriculture. And perhaps there is not one intelligent borrower from these conservative, considerate, and respectable lenders who would not say that the terms and interest rate on his loan are fair and reasonable. Moreover, the owners of this wealth are content, although normally its average return is under 4 per cent a year. Justice and wisdom require that these facts be carefully weighed and the parties most interested be consulted before legislating changes.

But Senator HOLLIS has not consulted even the farmers. Many of the granges view him with suspicion, and rightfully so, because all that he offers a farmer is a loan up to 45 per cent of the value of a small farm for one of four specific purposes, under an agreement that would prevent him from making prepayments for five years; that might oblige him to live upon and cultivate the mortgaged property and not to sell it or obtain any more money on it for 36 years; and that would impose double or unlimited liability on him personally for all loans made to other borrowers. The cooperative building and loan associations and the mutual and other kinds of savings banks, now having 14,915,104 members and \$6,355,413,915 of the wealth that the Senator dreams of absorbing, are not friendly, because they realize that their very existence would be jeopardized by the total tax exemptions and Government guaranties of 5 per cent for any sums, large or small, in his new institutions.

For a like reason opposition is spreading among the fraternal orders and life insurance companies, with their millions of members and assets. The American Federation of Labor also passed resolutions contrary to the Hollis plans, evidently because it believes that if Government bounties are to be distributed they should be enjoyed by the industrial workman as well as by the tiller of the soil.

Depositors and investors are not evincing any keen desire to substitute their present holdings by bonds unrecalled for 10 years and by shares which must stand good for the losses of innumerable associations. Farmers do not like the idea of immobilizing 5 per cent of their loans in

such shares and of having their taxes increased in order to finance the Senator's grand back-to-the-land movement. So complaints are arising on all sides against the Hollis bill.

The fact is Senator HOLLIS has shot beyond his land-credit mark and become a social reformer, moral uplifter, and an agrarian of the old Populist sort. His benevolence and enthusiasm have colored his vision in respect to economics and finance. He is not trying to mobilize land values; he is trying to subsidize the farmers. In framing a bill for this purpose he has copied clauses in European laws enacted for the lowest and most ignorant peasants and then added other clauses which violate basic principles by an attempt to combine cooperative associations with joint-stock companies and to use savings and deposits in long-term operations through a system aided and controlled by Government.

The scheme is so impracticable and the benefits offered to the farmers are so slight that the question may be seriously asked if the creation of Government banks for savings and deposits is not now the main object of the bill. Some foreign nations, with centralizing and socialistic tendencies, have supplied the financial needs of state in part by establishing such institutions and restricting their investments to Government stock and bonds. The program of the present Democratic administration embraces enterprises of a private nature to be done by the United States Government. The more funds the Government can bring under its control the more readily these enterprises can be undertaken. The Hollis bill points the way.

MYRON T. HERRICK.

CLEVELAND, OHIO, April 21.

[The Sun, Monday, April 24, 1916.]

I want to repeat that I have read these criticisms of this distinguished banker and this earnest student of the question of rural credits, because I think they are a very valuable contribution to the discussion of the pending measure.

Mr. HOLLIS. Mr. President, the first argument advanced by the distinguished Senator from Ohio [Mr. HARDING] against the pending bill is in the form of a query, asking what reason there is for pressing a bill of this nature. The reason is found in the three national platforms of the campaign of 1912—the Democratic, the Republican, and the Progressive—all declaring in favor of a rural-credits bill. This bill is in response to the promise that was then made and in response to the needs that made those pledges necessary.

I have no quarrel with anyone who thinks that a bill of this kind is not needed. Anyone who thinks it is not needed ought to vote against it. I believe, however, that nine-tenths of the Members of the Senate believe that the bill is needed.

The letter that is signed by Gov. Herrick—and I have not the least idea that he wrote it—is one that has become very familiar to me, because it has been sent to me in one shape or another every two or three weeks for the last year. Gov. Herrick takes the very conservative, "standpat" attitude on this subject. He thinks that the National Government ought not to interfere in any way in the banking business. He himself is the head of the Society for Savings in Ohio, the largest savings bank in the State and the largest lender to farmers. Doubtless Gov. Herrick prefers not to be interfered with in his savings-bank business, and with that I do not quarrel.

Mr. DILLINGHAM and Mr. HARDING addressed the Chair. The PRESIDING OFFICER. Does the Senator from New Hampshire yield, and, if so, to whom?

Mr. HOLLIS. I yield, first, to the Senator from Vermont, and then I will yield to the Senator from Ohio.

Mr. DILLINGHAM. Mr. President, I simply wish to ask the Senator from New Hampshire whether either of the political platforms to which he refers indorsed this plan of Government aid; and, if so, which one?

Mr. HOLLIS. In the first place, this is not a "plan of Government aid." The bill has been more severely attacked because it is not a Government-aid plan than because it is so. It has been attacked on both sides; and, as I have tried to explain to the Senate, it gives Government aid in the sense of establishing a system and furnishing the initial capital, but later withdrawing the initial capital after the system shall have been built up.

Mr. HARDING. Mr. President, I think I ought to say to the Senator from New Hampshire, who suggests the selfish interest of Col. Herrick in this matter, that the Cleveland Society for Savings, which is the largest institution of its kind in the world, is distinctly a mutual institution, in which there is no private stockholder and no selfish interest to be served.

Mr. HOLLIS. I am very well aware of that; but no doubt Gov. Herrick, if he is fit to be the head of that institution, wants it to flourish, and he would be very sorry to see any part of its business taken away from it. I do not think that is selfish; I think it is moderate self-protection.

Mr. McCUMBER. Mr. President—

Mr. HOLLIS. I yield to the Senator from North Dakota.

Mr. McCUMBER. Is it not a fact that Gov. Herrick has formulated a rural credits bill that has been printed as a public document and that he has written a whole volume upon that subject explaining it? I think probably every Senator has received a copy of his work on rural credits. I simply ask that question to meet the proposition of the Senator from New Hamp-

shire that Col. Herrick was selfish in the matter and probably did not wish any character of rural-credits legislation.

Mr. HOLLIS. Mr. President, I am very glad, indeed, to answer the Senator. Mr. Herrick did not write such a book as the distinguished Senator from North Dakota suggests. That book was written by a young man named Ingalls, a son of the late Senator Ingalls. His name is Ralph Ingalls. His name appears with that of Gov. Herrick as coauthor. I have no doubt he wrote substantially all the book and that Gov. Herrick lent his name to it.

As to a rural-credits bill having been drafted by Gov. Herrick; that is the first I have ever heard of it. If such a bill has been prepared, I have no doubt it was drawn by this same Mr. Ralph Ingalls.

Ever since the joint committees of the Senate started this proposition Gov. Herrick has been bombarding them with communications. I have received at least half a dozen from him, with the request that I reply and criticize. The fact is that he is opposed to the Government going into the mortgage business itself or giving franchises to any banks to go into the business. He believes that the rural-credit business should be handled by the States, and he gives his reasons for so believing.

The letter which was just read by the distinguished Senator from Ohio [Mr. HARDING] is practically the same letter that was introduced by the Senator from Massachusetts [Mr. LODGE] in the Record of yesterday. It is all found there. It contains rather a hysterical attack on the pending bill, a great deal of misinformation, a tremendous amount of misinterpretation, and some sound advice. In the first place, he says there are incompatible private banks and cooperative associations. That has been fully explained to the Senate. All over Europe private banks exist side by side with cooperative banks. Each fulfills its own special mission; each is successful. They compete with each other. In framing this bill the joint committee felt that it would be presumptuous to try to impose on all parts of the country any one of the systems. The committee has, therefore, provided that there may be joint-stock banks, cooperative associations with a limited liability, and cooperative associations with an unlimited liability. If we had provided any one system, Gov. Herrick would doubtless have attacked it and said that we ought to have provided the other two. When anyone is opposed to a measure it is easy enough to get up an argument that sounds convincing. Whether or not it is convincing, however, depends largely upon the intelligence and information of those to whom it is addressed.

Gov. Herrick speaks of "jokers," and points out two provisions that he calls "jokers." The first one that he calls a "joker" is the tax exemption. There is no joke about that. It is put right in the bill flatly; attention has been called to it in the report of the committee; I have called attention to it on the floor of the Senate; and there is no "joker" about it. A man is either in favor of exempting a farmer of taxation on mortgages or on bonds, or he is not. Each one will have to decide that for himself. It is a very fashionable way, if you want to ridicule anything nowadays, to call it a "joker"; but that does not fit this particular case.

Mr. TOWNSEND. Mr. President, does the bill which the Senator from New Hampshire has reported exempt the farmer from taxation, or does it exempt the man who owns the mortgage or the mortgage-loan bond from taxation, which may not be held by the farmer?

Mr. HOLLIS. It is the mortgage itself and the bond itself. As I explained the other day, experience shows that where the farmer borrows money on his farm and the mortgage is taxed, the farmer has to pay enough more interest on his mortgage to pay that tax. Any economist will admit that. Here we have the land which must pay its taxation locally; we have the mortgage; and we also have the farm-loan bond. If the farm-loan bond is taxed and the mortgage is taxed, the farmer will have to pay those taxes in addition to the tax on his land, which would be triple taxation.

Mr. BORAH. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Idaho?

Mr. HOLLIS. I yield.

Mr. BORAH. Is it not true, in line with the suggestion of the Senator, that in most of the States farm mortgages are exempt from taxation?

Mr. HOLLIS. It is so in many States. In my own State any mortgage on land owned in New Hampshire is exempt if the rate is 5 per cent or under. The result of that is that all money loaned on mortgage in New Hampshire is at 5 per cent, and I think that is generally the case, but I can not say accurately, because I have not examined the laws of all the States.

Mr. BORAH. I do not know that it is true entirely throughout the country; but I know that a great many of the States exempt such mortgages upon the theory that the tax can finally be transferred back and charged to the farmer.

Mr. POMERENE. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Ohio?

Mr. HOLLIS. I yield.

Mr. POMERENE. I regret to say that what the Senator from Idaho [Mr. BORAH] says is generally true; it does not apply to the State of Ohio. Unfortunately, in that State we have had for years double taxation. All our property, real, personal, and intangible, is taxable according to a uniform rule under the constitution. We have tried repeatedly to get rid of it, but up to today we have not succeeded. So if a \$10,000 farm has upon it an \$8,000 mortgage, under the constitution of the State of Ohio, the farm pays a tax according to its real value in money, and the mortgage must be returned for taxation; so that in that instance there would be taxes paid upon \$18,000.

Mr. HARDING. Mr. President—

Mr. HOLLIS. I yield.

Mr. HARDING. It will only add information on the subject to say, in addition to what my colleague has just related, that in Ohio we tax all our municipal bonds, and we have repeatedly submitted to the people of the State a proposition to exempt such bonds from taxation, but the rural vote in particular is unalterably against such a proposition.

Mr. POMERENE. Perhaps I should add to what my colleague has just said that we did some years ago adopt an amendment making municipal bonds nontaxable, but within three or four years thereafter another amendment was submitted under which that provision was rescinded, and they are now taxable, as my colleague says.

Mr. HARDING. And, in addition, two later attempts to exempt them have failed.

Mr. POMERENE. I think that is true.

Mr. HOLLIS. If such is the state of the law in Ohio—

Mr. SUTHERLAND. Mr. President—

Mr. HOLLIS. Just a moment. If such is the state of the law in Ohio, that the bonds will be taxed, the mortgages will be taxed, and the farmer's land will be taxed, so that the farmer will pay triple taxation, I venture the prediction that under this system, if the bill is passed, the land banks would do a very substantial business at lower rates than now exist in Ohio.

Mr. CUMMINS. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Iowa?

Mr. HOLLIS. I yield.

Mr. CUMMINS. Is it not true that under the plan of this bill the only way in which the farmer gets the benefit of the exemption of the bonds and other securities from taxation is through the assumption that the interest on capital will be reduced by the amount of the exemption?

Mr. HOLLIS. Certainly.

Mr. CUMMINS. What does the Senator think of the present situation? There are some States in which capital, moneys, and credits are not taxed at all. There are other States in which there is a definite tax much lower than the ordinary rate of taxation laid upon moneys and credits. If, therefore, we get our capital from a State where it is exempt from taxation, why should we not get it at a lower rate of interest than when we get it from a State that imposes a tax upon it; and is the Senator at all sure that the exemption from taxation will be reflected in the rate of interest which the farmer pays for his loan?

Mr. HOLLIS. I am absolutely sure of it, and every economist who has written on the subject will so state. That has been the result in my own experience. I know that in New Hampshire, when mortgage loans were exempt from taxation, when the rate of interest was not more than 5 per cent, the rates dropped on such mortgage loans to 5 per cent almost at once.

Mr. CUMMINS. That is not my conclusion from the study I have given to the subject. If we had a uniform rule throughout the United States in regard to the matter, the conclusion might follow, or it might not, depending upon the demand for money; but, with no uniformity respecting the taxation of capital, I question very much whether the result would follow.

Mr. CURTIS. Mr. President—

Mr. HOLLIS. If the Senator from Kansas will pardon me, I should like first to answer the Senator from Iowa.

Uniformity under this plan would extend over the United States, because all mortgages and all bonds under this system would be exempt from all taxation. Therefore, in States where there was that exemption from taxation on the mortgages and the bonds, the farmers would already be getting the benefit of the

low rate of interest. Possibly in such States the land banks established under this system would not be able to much underbid the local banks, but in States—

Mr. CUMMINS. Mr. President—

Mr. HOLLIS. If the Senator will pardon me—but in States where there was a triple taxation imposed, I think the banks organized under this system could hardly fail to give a considerably lower rate of interest than the local banks now give.

I now yield to the Senator from Iowa.

Mr. CUMMINS. But I was suggesting, if the Senator will allow me, that in Iowa, for instance, if we borrow money from one who lives in a State that exempts credits from taxation we do not get the benefit of that exemption.

Mr. HOLLIS. That is true.

Mr. CUMMINS. And, inasmuch as I assume that this system is not intended to be a substitute for all the loaning instrumentalities, I doubt whether our farmers would get any benefit from the exemption under this system.

Mr. HOLLIS. The Senator is mistaken in one particular, if I correctly understand him. He says that if the owner of capital lives in a State outside of Iowa which exempts money loaned at interest from taxation, and that owner should loan his money in Iowa, Iowa would not get the benefit of it. I think Iowa certainly would, because if the man did not have to pay taxes at home he could certainly afford to loan his money at a lower rate in Iowa.

Mr. CUMMINS. That is the fallacy of the whole argument. The man who has a mortgage that he is not compelled to pay taxes upon will not give the borrower the benefit of that exemption from taxation if he can loan his money at a greater rate of interest; and he can loan his money at a greater rate of interest if his rival loaners who must pay taxes charge a higher rate of interest. No man who has money loans it at any lower rate of interest than he is compelled so to do under the laws of competition, I think.

Mr. HOLLIS. That is true; but the level rises or falls, according to the tendency of money. If money is in plentiful supply at a cheap rate, the rate will go down; if money is scarce, the rate will go up. Now, if there are enough men who have money tax exempt to lend, the rate will inevitably fall; if there are very few, they will not affect the market. That all depends on how great is the supply. Under the present bill we expect to have the supply plentiful enough so that it will lower the interest rate.

Mr. CURTIS. Mr. President, I should like to ask the Senator in charge of the bill a question.

Mr. HOLLIS. I yield.

Mr. CURTIS. I ask if the residence of the owner of the mortgage does not control the question of taxation? For instance, in a State like Kansas loans are made practically by loaning companies. They sell the mortgages; and if a mortgage is purchased by a man in the State, he pays taxes on it in the State; but if the mortgage is sold to a man in Ohio or in Massachusetts or in any other State, no taxes are paid on the mortgage in Kansas, and it depends upon the law of his own State whether or not he pays a tax on it there.

Mr. HOLLIS. That is perfectly true. That is what I said in response to the Senator from Iowa.

Mr. WILLIAMS. Mr. President, if the Senator will pardon an interruption, as shedding some light upon this, we had some experience in Mississippi. Money was being loaned at 8, 9, and 10 per cent. The legislature finally, in order to encourage capital to come into the State, passed a law exempting from taxes all loans at 6 per cent or under 6 per cent. Nearly every long-time loan in the State of Mississippi since then has been reduced to 6 per cent; in fact, when a 6 per cent untaxed loan comes to vie with an 8 per cent taxed loan, if you take the taxes into consideration, it is better for the lender to lend at 6 per cent; he gets more net revenue. A great many people who were loaning at even 9 and 10 per cent were willing to accept the lower rate, because they do not have to pay taxes, and because they do not have to be bothered with the tax collector, with making out returns, and all that sort of thing. I think in all public legislation less attention is paid than the matter really deserves to the desire of men not to be bothered with having to make out statements for taxing purposes. At any rate, the fact in my State has been that nearly every long-time loan in the State has been reduced to 6 per cent.

Mr. HOLLIS. Mr. President, I have discussed one so-called "joker" which has been suggested by Gov. Herrick, and I now desire to discuss another one.

Mr. McCUMBER. Mr. President, before the Senator proceeds to that, upon the matter of taxation of mortgages I should like to ask him a question.

The PRESIDING OFFICER (Mr. MARTINE of New Jersey in the chair). Does the Senator from New Hampshire yield to the Senator from North Dakota?

Mr. HOLLIS. I yield.

Mr. McCUMBER. Under the provisions of the bill no mortgage can draw a greater rate of interest than 6 per cent. Therefore, no matter whether or not the mortgages and the bonds are taxable in the hands of the purchasers, you could not make that react against the mortgagor, because he can not be required to pay more than 6 per cent.

Mr. HOLLIS. But if you can not get the money in the first place from a long-term investor at 5 per cent, you would not be able to make any loans, because you could not get money to loan. Unless we can borrow the money on farm-loan bonds at 5 per cent, we can not borrow any, and therefore we will have none to loan to the farmer.

Now, the other "joker" that is suggested—

Mr. SUTHERLAND. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Utah?

Mr. HOLLIS. Yes.

Mr. SUTHERLAND. Before the Senator proceeds to another branch of the subject, I should like to ask him a question about the taxing feature. I agree with the Senator that, generally speaking, at any rate it is unwise to impose taxes upon farm mortgages, or, indeed, upon any kind of mortgages, because I think that generally the amount of the tax is shifted to the borrower, and it really amounts to double taxation; but I wanted to ask the Senator whether or not he felt quite sure that Congress has the power to exempt from State and municipal taxation within the State mortgages which are of course a species of property? I suppose the theory upon which the Senator proceeds is that the mortgages taken by the land banks would be regarded as instrumentalities of the Government; but, if the Senator has thought about that, I should very much like to have his view as to the power of the General Government to declare to be a governmental instrumentality a thing which is essentially private property and which the State, when that species of property is held by a private citizen, can tax.

Mr. HOLLIS. Mr. President, that question was settled in 1819 in an opinion by Chief Justice Marshall, which is familiar to the Senator, the case of *McCulloch v. The State of Maryland* (4 Wheat, 316). In that case there was involved the right of the State of Maryland to insist that notes issued by a branch of the United States Bank should be on stamped paper. The State of Maryland undertook to collect a penalty for failure to use stamped paper for that purpose, but the Supreme Court of the United States, in a long opinion by Chief Justice Marshall, decided that the Government had a right to incorporate a bank; that it had a right to exempt the bank from taxation; and that it had a right to exempt its instrumentalities from taxation. I think that opinion covers the point fully. That case is the authority under which the present national-bank act is sustained in the case of *Van Allen against The Assessors*, in Third Wallace, 573.

Mr. SUTHERLAND. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield further to the Senator from Utah?

Mr. HOLLIS. Yes.

Mr. SUTHERLAND. It has been quite a long time since I have had occasion to examine the case which deals with the United States bank legislation. My recollection, however, is that the Supreme Court of the United States held that the State was powerless to tax the franchise of the bank, but that it had the power to tax its property.

Mr. HOLLIS. It was just the other way. It was powerless to tax the instrumentality issued by the bank, to wit, the bank note. That was directly involved; but I would rather not argue that now. At some other time I shall be very glad to argue the question with the Senator, and I will have the authorities here; but if he will examine the *McCulloch* case, I think he will see that it is exactly parallel with the case at issue. I should like very much to finish my reply to the Senator from Ohio.

The second "joker" suggested by Gov. Herrick is that the borrower is allowed to borrow enough from the land bank to pay for his shares and to pay the expense of placing his loan. That would include the expense of examining the title and drawing the papers. There, again, if you want to stigmatize something, you call it a "joker" or a "pork-barrel" measure; and Gov. Herrick has availed himself of that privilege. But there is no "joker" about that. Here is the situation:

In order to have a successful mortgage-bank system, it is necessary to have a guarantee fund to take up the slack of the bad loans. If you just loan the money on the mortgages, and then

put up the mortgages as security for an issue of farm-loan bonds, some day there will appear a bad mortgage and you will not have anything to take that out of, because you have all your mortgages up to support the loan, and when one drops out you are just so much short.

Now, it is recognized all over this country and in Europe that in a land-mortgage system you should have a guaranty fund of 5 per cent. You may call it capital. We do in this instance. In this case we have to have a 5 per cent capital, 5 per cent on the amount of our mortgages, 5 per cent on the amount of our bonds. The Government starts out the 12 banks with a capital of \$500,000 each, but that would not be enough to support mortgages and bonds of over \$6,000,000 each. Therefore we must have some way of getting additional capital in order to impose an issue of bonds upon it. The only way to do that under a cooperative system, as this is, is to get it from the borrower himself.

The first bill, which was drawn two years ago, provided that the stock of the local associations should come from private contributors. Under that bill we had to call on private investors at three points: First, to subscribe to the stock of the farm-loan associations; second, to subscribe to the stock of the land banks; and, third, to buy the farm-loan bonds. If we did that and were successful—and it is very doubtful whether the investors would subscribe for these three different classes—but if we were successful, that meant that we would have to turn the control of the system over to those who invested their money, because men will not invest their money in something where they do not control the votes.

Therefore in the present bill we have avoided that. We get from the Government the original capital, and then we sell the bonds to the investors so as to get more money to loan, but we have the borrower himself furnish his own guaranty fund. If he wants to borrow \$2,000, he must take stock in the loan association to the amount of 5 per cent, or \$100. We think that is useful, because it gives somewhat of an index to the character of the man. The man who can not produce \$100 in order to borrow \$2,000 probably is not a desirable man to have in a cooperative system.

In the second place, by requiring him to take stock we secure his interest in the success of the system; we get him interested to make it a success, and we also get him to watch other borrowers and see that cheap men, men who are not likely to pay, do not come in. But when you say to a man, "We will loan you 50 per cent of the value of your farm," and then require him to put up \$100, 5 per cent of the amount he borrows, toward the guarantee fund, it is rather rough not to allow him to borrow that \$100 additional; and under this bill we do. If he wants to borrow \$2,000, if he will send us the \$100 to give us an index that he is a man who can command \$100 locally, then we will permit him to borrow \$2,100, and he can pay back the \$100 he has had to borrow out of it.

It did not seem to us that that was a "joker." It would be a very helpful thing to a farmer who needed to borrow. In the same way we have provided that he might borrow whatever expense he had to pay to get the loan made; that is, for looking up the title and having the papers drawn; and it did not seem to us that we were doing anything out of the way in that regard.

But I am encouraged at this sort of criticism. When a man of Gov. Herrick's standing and experience can not find anything more serious to say against the bill than that it contains two "jokers" of this character, it shows that the bill must be pretty tolerably sound, or he would not waste an 11-inch shell in going after such small game.

Mr. SHERMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Illinois?

Mr. HOLLIS. I yield.

Mr. SHERMAN. I should like to make an inquiry.

In a land-bank district of the kind referred to by the senior Senator from Iowa [Mr. CUMMINS], or some of the other States where funds are capable of being found at a very fair rate, say 5 per cent, and applications are readily filled, does the Senator think that in such districts—which shall comprise States, if I understand the bill correctly, without breaking the boundary lines of States—a land bank would be organized beyond the minimum amount of capital? Or would it, if organized with the minimum amount, be subscribed by private individuals as an investment?

Mr. HOLLIS. I myself do not believe that private individuals will subscribe anything. If I had my way I would not permit them to do so. I would have the Government put up the \$500,000 and then have it paid back as the capital increased from the borrowers. But the bill provides that the districts shall be apportioned in accordance with the farm-loan needs

of the country. Now, take a State like Iowa—that is admirably served; take a State like Ohio—that is admirably served. I should think their farm-loan needs were not very great. I should think that one land bank could cover that whole great section where the rates are so low, and that would leave more banks in the parts of the country South and West where the rates are high and where they are more needed. That is my own feeling about it.

Mr. SHERMAN. May I make a further inquiry?

Mr. HOLLIS. I yield to the Senator from Illinois.

Mr. SHERMAN. In the event that the minimum capital for a land bank in a district of the kind just referred to would be \$500,000 and would be paid by the Government—which might be assumed for the purposes of my inquiry—

Mr. HOLLIS. I think so.

Mr. SHERMAN. In another district, say a district composed of Alabama and Mississippi, the capital stock of a land bank in that district would be solely within the discretion of the farm-loan board here at Washington, would it not?

Mr. HOLLIS. Does the Senator mean the limit?

Mr. SHERMAN. It might be \$500,000, or it might be much in excess of that?

Mr. HOLLIS. That would depend entirely on whether farmers borrow money. Every time a farmer borrows money 5 per cent would be added to the capital. That is true.

Mr. SHERMAN. Suppose only a comparative small number of shares were subscribed by private individuals. In that event the Government would subscribe, and the Treasury here would furnish the remainder of the capital stock in that district. In that event, in the latter district named, the Government would in reality furnish the funds for the loans.

Mr. HOLLIS. They would in the first instance; but when the subscriptions from the borrowers, the 5 per cent of the face of the loans, amount to \$500,000, then, beginning at that time, 25 per cent of all further subscriptions is paid over to the Government until the Government gets it all back. If the system is a success, the Government ought to get it all back in two or three years.

Mr. SHERMAN. I will make a further inquiry. It depends, then, upon the success of the investment, does it not?

Mr. HOLLIS. Absolutely. It depends on how many loans the farmers want on good land.

Mr. SHERMAN. And in order to obtain further funds it would be necessary to deposit the mortgages and, under the provisions of the bill, to issue what we commonly call another line of debenture bonds based on the mortgages?

Mr. HOLLIS. Yes.

Mr. SHERMAN. In that event the land bank in the first district I had in mind would stand responsible for every bond in Alabama, would it not?

Mr. HOLLIS. Yes.

Mr. SHERMAN. Because, when the bonds are once issued, the land banks of all the 12 districts are not only jointly but severally responsible for them.

Mr. HOLLIS. Not severally; jointly.

Mr. SHERMAN. That is, if the assets of 11 of the district banks were exhausted, and the twelfth bank had assets enough to pay it, it would take all of its assets to pay the bond issue.

Mr. HOLLIS. That is what I call "jointly." There is a difference between "severally" and "jointly," as the Senator well knows. They would not be severally liable; they would be jointly liable for the principal of the bonds.

Mr. SHERMAN. Does not the Senator think that that fact alone, in all agricultural districts where land values have arrived at a settled state, such as Iowa, Illinois, a large part of Missouri, and similar parts of the Union, would deter private individuals from embarking in a land bank by subscribing for stock—the fact that their resources, so devoted to that purpose, would stand good for the bonds issued upon the underlying mortgages in every land bank in the country?

Mr. HOLLIS. No; I do not think so. I think they would be deterred from the fact that they were asked to invest without having any voting power. I have already explained that; but in those districts where the land is not so valuable the interest rate charged would undoubtedly be high enough to make up for that extra risk. That is why we have divided the country up into districts instead of having it all one great district. We feared that if we had it all one great district the interest rate would be fixed at the highest rate of interest which was required to be paid, say, in the weakest portion; and, therefore, we thought it should be cut up into sections so that the risks would be substantially the same in each section, and the rate of interest over a particular district should be substantially the same.

Mr. SHERMAN. Another inquiry, Mr. President, and then I will close.

Mr. HOLLIS. I am very glad to answer questions if I can.

Mr. SHERMAN. Therefore appropriations made by the agency of this bill, to be drawn from the Treasury, in a Government undertaking, are depended upon to lower the rates of interest on these investments. Is that correct?

Mr. HOLLIS. I do not want to subscribe to its being a Government undertaking. It is a Government undertaking so far as establishing the system is concerned, but that is merely for the start, and we have provided that the capital advanced shall be returned. If it is a success, it will be returned, but the Government is helping all over the country. That is the reply; and in those sections where they need it most they will get the most help. That is inevitable.

Mr. SHERMAN. And in that event, where we are now getting 5 per cent money and no complaints, we contribute by taxes or otherwise to the just rates in the second district that I have supposed as an illustration?

Mr. HOLLIS. The Senator is now using the very admirable argument which the junior Senator from New York [Mr. WADSWORTH] made on the good-roads bill the other day. I do not think it is entirely justified, because the great vice of the mortgages in Illinois, as the Senator knows, is that they are not on long term; they are not on amortized payments; the farmer is not encouraged to pay them off. He has to renew every little while. Every time he has to renew there are new papers to be made out, new commissions to pay, and he still has the same old debt owing. Under this system the chief merit is the amortization loan feature, which will compel the farmer to pay off the principal of his loan, almost insensibly, 1 or 2 per cent a year. That is what we hope will be established in this country, and I believe the State of Illinois will be very, very much benefited by it.

Mr. SHERMAN. Mr. President, that is what I am trying to ascertain. In certain areas—I do not refer to my own State, but to many surrounding States where real estate values are substantially the same—there is little or no complaint about the cost of renewing the loan, the preparation of papers, the examination of titles or the extension of abstracts. In such States, where there are no complaints, where loans are now made running from 5 to 15 years, if desired—I know of loans now, in business enterprises in which I have been interested myself, having been made for 15 years with an option to pay any sum at any time, providing the borrower makes it out of the land—in areas of the United States where loans are in that condition and where 5 per cent money is accessible at all times upon a 50 per cent margin of security, what advantage would it be to have such a bill as this?

Mr. HOLLIS. I have just tried to explain that to the Senator. If I did not convince him at the first attempt, I probably could not at the second. I say that the amortized-loan feature alone ought to be enough to induce the farmers of Illinois to go into it, so that they will get their loan paid off a little at a time by paying a small amount each year.

Mr. SHERMAN. I have just stated, Mr. President—possibly I did not make myself clear—

Mr. HOLLIS. Oh, if the Senator eliminates all the advantages, of course there will be no advantages; but I have sketched the advantages that I think will follow. If the Senator eliminates them one after another, I shall finally be left without any. But I can not think that even in Illinois the farmers are so fortunate now in the way their loans are made that they can not be helped under this bill.

Mr. SHERMAN. Vast sums of life insurance money are loaned in the States I have referred to where there are privileges of prepayment at annual intervals. There are some loans of this kind made from private sources, and it is the universal rule in what we call the corn belt to give the prepayment privilege at any time if the borrower makes it out of the land. I know personally of many millions of dollars loaned at 5 per cent, with the prepayment privilege to the farmer, to be made at any time, providing he makes it out of the land. It is a better prepayment privilege than in the case of any building loan on city property. I am trying to ascertain if, to people living in such areas of the United States, there is any inducement whatever to support or to ask us to support the bill with the idea that any benefits will come to that population?

Mr. HOLLIS. I am giving the Senator my private opinion—that they will, and the great party to which he belongs thought that, on the whole, such benefits would result, and declared in favor of a rural-credits measure. Now, it may be that the State of Illinois does not want it, and it may be that they would secede from the Republican Party on that proposition, but I believe the Republican Party all over the United States wants it, just as the Democratic Party all over the United States wants it, and I am trying to get the best possible bill for national application that

we can get. It will not help them as much in Illinois as it will in some States where the rate is higher, but I think it will help substantially, for the reasons I have already explained. If the Senator does not believe it will, he naturally will not vote for the bill, but I hope there will be enough who will vote for it to pass it.

Mr. McCUMBER. Mr. President, I desire to ask the Senator just one or two questions.

What inducement is there in this bill for the private citizen who has capital of his own to invest to inaugurate this system and to start one of these banks?

Mr. HOLLIS. There are bankers in South Dakota who have been to see me and who say that they want to operate one of the joint-stock banks as provided for in the bill. There are bankers in Indiana who want to do it. The mortgage bankers of Chicago have sent circulars asking to have certain things put in the bill so that they can come in.

Mr. McCUMBER. I am not asking so much as to who wishes to do it. I want to know the inducement that the bill holds out to them so that I may understand it; and all of my questions will be for the purpose of getting a better understanding of the bill.

Mr. HOLLIS. Just the same inducement that there is for the private capitalist to organize a national bank instead of a State bank. Some capitalists think there is enough advantage in having a national bank to come in under the national system with the extra restrictions that there are. Now, we think it will be an inducement to a capitalist who wishes to engage in the mortgage business to organize one of the joint-stock banks in order to be under the national system of land banks; and, moreover, I think they will do it in order to get tax exemption of the mortgages and bonds that they issue.

Mr. McCUMBER. Of course, Mr. President, when any man goes into any kind of a business he goes into that business for the profit there is in it. If I understand this bill correctly, all the profits must lie between what the farmer pays on his mortgage and what the bond draws.

Mr. HOLLIS. Yes.

Mr. McCUMBER. And that spread can not be more than 1 per cent.

Mr. HOLLIS. Not 1 per cent on the capital, because the banker can issue fifteen times the amount of his capital in bonds; so he will get 1 per cent on fifteen times his capital, which ought to be enough.

Mr. McCUMBER. It is 1 per cent upon the mortgages that are given under this bill.

Mr. HOLLIS. Yes.

Mr. McCUMBER. Then he must make all of his expenses; he must build his bank building; he must pay all of the charges connected with the business—

Mr. HOLLIS. I do not see why the Senator says he must build a bank building. We have 12 Federal reserve banks in this country, enormous institutions, and not one of them has built a bank building. They have very modest quarters.

Mr. McCUMBER. If they do not build it, they will have to rent it, I presume.

Mr. HOLLIS. Yes.

Mr. McCUMBER. Which is practically the same thing.

Mr. HOLLIS. But the Senator's argument the other day was that these banks which we provided would spend all their \$500,000 capital in building a bank building. I wanted him to see that that is not probable.

Mr. McCUMBER. The point I want to get at is the real inducement, and the methods by which the parties operating the banks are to receive their profit. If I understand the Senator correctly, that profit must come out of the difference between the 4 per cent which the bonds will draw and the 5 per cent which the mortgage will pay.

Mr. HOLLIS. That is absolutely accurate.

Mr. McCUMBER. And if the number of mortgages and the amount handled were not sufficient to pay the expenses between those two, then the inevitable result would be that that bank would soon have to go out of business, would it not?

Mr. HOLLIS. There is no doubt of it. I will say, further, that in Europe these banks conduct their business on a margin of one-third of 1 per cent on the mortgages and pay dividends.

Mr. McCUMBER. They probably could do it if they had a great quantity of them. The officers of these banks are to be selected through the farming organizations, are they not?

Mr. HOLLIS. If the Senator will pardon me, we have been talking about the private joint-stock banks, which are separate institutions. Now, the Senator is proceeding to talk about the cooperative banks, which are very different. One is called the joint-stock land bank and the other the Federal land bank. We are now talking about the Federal land bank.

Mr. McCUMBER. I am speaking now of the Federal land bank.

Mr. HOLLIS. Yes; I want that clear.

Mr. McCUMBER. The Federal land-bank officers are selected through the loan organizations, are they not?

Mr. HOLLIS. Two of them are appointed by the farm-loan board and three of them are elected by the farm-loan associations.

Mr. McCUMBER. My own opinion is that with the many officers and the salaries and the immense machinery there will not be enough to cover the overhead expenses that will be provided; but that is a mere matter of opinion.

Mr. HOLLIS. Right there, let me say that the Senator has said that, but I can enumerate to him what they are and show him that they are very slight. To begin with, there is the farm-loan board. If it is established as the bill provides there will be four of them paid \$10,000 each. That is paid by the Government. Each of these great land banks, with an initial capital of \$500,000, has only five directors, and that is all the bill provides.

Mr. McCUMBER. And what are the directors paid?

Mr. HOLLIS. The compensation of the directors of the land bank is subject to the approval of the farm-loan board. Their compensation must come out of the 1 per cent. Now, you can not run any bank anywhere without paying for banking brains. I believe it will cost something to run these banks. If they are not well paid they will not be well run, and they will not make any money. But you might as well ask me how the Standard Oil Co., or any other concern, can make money when it pays its officers liberal salaries. Take the banks in New York: Some of those great banks in New York pay \$100,000 salaries, and the men earn them. I do not know what it will cost, or how much they will pay. They will pay just as much as they have to pay to get efficient service, and I hope they will get very efficient service and pay very well for it.

Mr. McCUMBER. I agree with the Senator.

Mr. HOLLIS. That is all there is to the Senator's criticism that this system is loaded down with highly paid officials. That is all there is to it; and if that is the best criticism there is of the bill, I feel very much reassured.

Mr. McCUMBER. I will say to the Senator that my own judgment is that if it can be made a profitable business to the organizers of the bank, you can get men to go into it that have the brains and the capacity to run the institutions; but you will not get them to devote their talents to the purpose unless there is a profit that justifies the exercise of those talents.

Mr. HOLLIS. That amount of profit is found in Europe at one-third of 1 per cent, and I believe we can find it at 1 per cent margin in this country. I may be wrong. If we can not, we shall never know it until we try it.

Mr. McCUMBER. After the Government is entirely eliminated, the stock then will be owned by the loaning associations, will it not?

Mr. HOLLIS. That is true.

Mr. McCUMBER. When the stock is owned by the loaning associations, they, of course, will have the management of the bank?

Mr. HOLLIS. No; the Government will still have two of the five directors, and they will still be under the farm-loan board.

Mr. McCUMBER. Although the Government may own none of the stock, the Government can still exercise its control as to who shall be directors?

Mr. HOLLIS. Certainly; just like the Federal reserve banks.

Mr. McCUMBER. Must the directors be stockholders?

Mr. HOLLIS. It is not necessary; no.

Mr. McCUMBER. The Government may employ them anywhere it sees fit?

Mr. HOLLIS. Why, the Government will do exactly as the Government does with the Federal reserve banks now. There are nine directors for every Federal reserve bank. Six of those are elected by the member banks and three are appointed by the Federal Reserve Board. It works out splendidly. We get the very best men all over the country to do that work practically for nothing. They consider it an honor to be connected with one of these Federal reserve banks. There is a great push by first-class men to get the appointments.

Mr. McCUMBER. I hope the Senator's optimism is justified.

Mr. HOLLIS. It is not optimism; it is facts. I am stating facts now. I am not dealing in speculation at all. I am stating just what has occurred under a system that the other side of this Chamber attacked much more viciously than they are attacking this.

Mr. McCUMBER. As I understand, the Senator wishes to discuss this matter further—

Mr. HOLLIS. Yes; but I am not particular. I expect to have to answer a great many questions. I am on tap at any time.

Mr. McCUMBER. I will wait until the Senator has finished, and then I will consider the matter to some extent.

Mr. SHEPPARD. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Texas?

Mr. HOLLIS. I do.

Mr. SHEPPARD. Is not this stock also open to private subscription?

Mr. HOLLIS. The stock is open to private subscription. If I had my way, I would not have permitted it, however. I do not think anyone will subscribe, because any individual who does subscribe has no vote. I think the Government will take substantially the whole of it.

Mr. SHEPPARD. After the Government stock has been retired, private parties, firms, or corporations will still have the privilege, as well as the farm-loan association?

Mr. HOLLIS. Yes; that is true; and one of the criticisms made by Gov. Herrick is, because we permit the Federal land banks to receive deposits from stockholders, that private individuals may subscribe, and thereby get the right to deposit money with the land banks. I hope they will do it, and deposit a great deal, because if they do they can not get one cent of interest, and the bill so provides. If Gov. Herrick wrote the letter that is over his signature, and if he has read the bill, it was very unfair of Gov. Herrick not to state that these depositors could not draw any interest; and anyone who knows that they can not get interest would know that they would not deposit. I hope they will. If they do, they will solve the whole problem. We will get their deposits for nothing, and we will loan them to the farmers cheaply, too.

He also says there is no appeal from the farm-loan board. There is no appeal from the Federal Reserve Board. There is no appeal from any one of these various boards, from license commissioners, railroad commissioners, and so forth. You have to have final judgment somewhere; and it is not necessary, every time you want to get a loan, to go to the Supreme Court of the United States. There will not be any disposition on the part of the farm-loan board to crowd anybody or to rob anybody or to discriminate against anybody. As soon as they do the one who is hurt will howl, and his howl will be heard all over the country. The idea of having an appeal provided from the farm-loan board arises from a hypocritical attitude toward the system from one who is an enemy of it.

He says that this is an instrument for turning the public funds over to the farmer. Anyone who heard the letter read by the Senator from Ohio to-day would think that this bill provided for making a loan of Government money to the farmer; but that is not so. We do not propose to loan Government money to farmers at all, but to get long-term investors to buy our bonds based on mortgages as collateral and then loan the money to the farmers.

Mr. SHERMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Illinois?

Mr. HOLLIS. Certainly.

Mr. SHERMAN. I am greatly interested in the Senator's last statement. Does the Senator think that Government credit will be used instead of Government money?

Mr. HOLLIS. No; I know it will not, and that is the next point I will come to. Gov. Herrick says the Government guarantees these bonds. It does nothing of the kind. There is no Government guaranty anywhere in the bill, and that is one of the things farmers complain of. They say the Government should get behind this business and it ought to guarantee the bonds. If I had my way it would do it, because I believe personally that is a proper Government function. I think the majority of the Members of this body are against that. Therefore, this is what is provided. I will have to lay a foundation before I come to the point. As the Senator well knows, under the national banking act every national bank is now a Government depository. Whenever there is a panic or trouble in any particular locality the Secretary of the Treasury loans Government money to the bank in order to help out. That has been done in all parts of the country. It was done right here in Washington. It averted a great panic in Washington about two years ago. But the Secretary of the Treasury can not deposit Government funds for temporary use without requiring security, Government bonds or otherwise. That is what the national-bank act provides. Now, I borrowed that for this bill, and I take the full responsibility for it. It is from the national-bank act, and it provides that the Secretary of the Treasury may on the application of the farm-loan board loan temporarily to the Federal land banks not to exceed \$6,000,000 in any one year, taking Government

bonds or other good security of twice the value of the deposit, with interest at 2 per cent. That is all the Government aid there is in it. It is limited to \$6,000,000 in any one year. It must be loaned to land banks on the security of bonds or other security satisfactory to the Secretary of the Treasury. That is all the Government aid there is here. I wish it were more. I wish I could get more, but I believe that is as much as I can get.

Mr. SHERMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield further to the Senator from Illinois?

Mr. HOLLIS. I yield further.

Mr. SHERMAN. If there is no Government credit used or Government money beyond the sum stated—

Mr. HOLLIS. And the original contribution of capital. I have stated that several times.

Mr. SHERMAN. It might be subscribed by the Government in an indefinite amount under the order of the farm-loan board.

Mr. HOLLIS. No.

Mr. SHERMAN. What would be the limit?

Mr. HOLLIS. I think it would be possible only to have \$500,000 for each bank. It has never occurred to me that the farm-loan board would authorize more than the 12 banks originally established.

Mr. SHERMAN. Let me put this query to the Senator: Suppose in the second district, which I gave a moment ago, of Alabama and Mississippi, to illustrate, the minimum capital of the loan bank in that district would be fixed at \$500,000. There is no maximum in the bill as written, and does not the farm-loan board have the right or the power to fix the capital stock in the district of Illinois and Iowa, for instance, at \$10,000,000? Is there anything in the bill to prevent that?

Mr. HOLLIS. Nothing.

Mr. SHERMAN. In that event the whole \$10,000,000, or \$9,500,000 of it, at least, I think under the bill could be properly transferred to the first district supposed and loaned there.

Mr. HOLLIS. There is no power in the bill which permits the transfer of capital from one district to another as there is in the Federal Reserve System.

Mr. SHERMAN. Not directly; but let me make a further inquiry. The capital stock to be fixed in the land bank of the district is in the discretion of the board; that is, the central governing board has unlimited power in that particular.

Mr. HOLLIS. That will be controlled by the amount of loans that are taken in the other districts. After the first \$500,000 is subscribed, then all the other increases come from the 5 per cent received from the borrowers. That is automatic. It rises with additional needs and it falls with them. That is not fixed by the farm-loan board. It is fixed by the needs of the borrowers. But assume that it is large, and I think it will be large in all the districts.

Mr. SHERMAN. Let me assume that in the one instance money is a little more difficult of procurement and the rates are higher, could not mortgages be written on application made under the provisions of the bill through the national farm-loan association, say, in the sum of \$10,000,000, to have some concrete illustration?

Mr. HOLLIS. Yes; probably several hundred million dollars.

Mr. SHERMAN. Then the money would be raised as soon as those loans are made by issuing bonds in the sum of \$10,000,000, which would be a charge on all the 12 districts of the United States, including all the country.

Mr. HOLLIS. That is perfectly true. If we assume that we have but one great land bank to cover the whole country, as we would have a perfect right to do, and it has been urged by many people, then the different sections of the country would have to take their chances with all the other sections just as they do under the bill. The Government sets them up in business and requires that there shall be a universal guaranty all around as a return for that. It is perfectly true, as the Senator says, that a rich district might be called on to pay for a poor district; but the bank in the rich district may be badly managed and the bank in the poor district may be called on to make up for its deficiency. It is reciprocal.

Mr. SHERMAN. In other words, let me inquire, in the older States of the Union and some of the Mississippi Valley States north land values have been reaching toward their present condition for more than 100 years. Agricultural development has gone there during that time. In effect does not the bill transfer a portion of our land values or our accumulations through the power of taxation and make an involuntary loan so far as we pay direct taxes—

Mr. HOLLIS. I do not think so.

Mr. SHERMAN. Let me complete it—to the area where the land values have not yet reached the level in the northern Mississippi Valley country that I have supposed?

Mr. HOLLIS. We are dealing now with the question of the liability of one bank to another. On that point, before one district can be called on to answer for the default of another, first, the capital, reserve, and earnings of the one land bank must be exhausted; second, all the mortgages that have been put up as the basis for bonds must be exhausted; third, all the individual liabilities of farm-loan associations must be exhausted; all the reserves and the capital of the farm-loan associations must be exhausted; and if the banks are properly run and properly supervised, there is no chance for a failure such as the Senator indicates. If it does come, the Senator is perfectly right that wherever it comes the people who have loaned to that section on farm-loan bonds will be allowed to go on other sections that come in and get the benefit of the system. There is no doubt about that. I do not try to conceal it. I want the Senate to understand it. I do not believe that you can make such a national system unless you have a broad insurance.

Mr. SHERMAN. If what the Senator says is likely to be worked out in practice both by the borrower and by the investing public, will the Senator explain why such an investment can not now be sold on the market at a fair rate?

Mr. HOLLIS. Very easily. In the first place, they are not Government supervised. In the second place, they do not have this broad Government insurance that I have outlined. In the third place, there has never been in this country any cooperative system with the individual liability of the cooperating borrowers. Those are the three brief answers. The pending bill is to provide a system to give these facilities to the farmers on farm loans just as we have given them to the merchants and manufacturers through the national banks. To accomplish this result we recommend the system.

Mr. THOMAS and Mr. CLAPP addressed the Chair.

The PRESIDING OFFICER. To whom does the Senator from New Hampshire yield?

Mr. HOLLIS. I yield first to the Senator from Colorado.

Mr. THOMAS. I merely wish to make a suggestion to the Senators in view of one or two of the questions propounded by the Senator from Illinois. Land values are not dependent upon the age of the sections of the Union. There are many older sections where land values are less than in some of the newer sections. I think I am safe in saying that in such States as my own, in Idaho, Utah, and adjoining States land values are in places as high if not higher than they are in the generally rich section of the Mississippi Valley. So far, therefore, as the transfer of values in the operation of this bill is concerned, if it becomes a law, there is an equation growing out of the desirability of different sections as to differing soils and crops. That would certainly equalize conditions and in any event make the question of the transfer of land values comparatively unimportant in the operation of the bill.

Mr. HOLLIS. I now yield to the Senator from Minnesota.

Mr. CLAPP. If I understood the Senator a moment ago, the resources of both the banks and the cooperative association are involved in the payment of the loan made by either. Is that correct?

Mr. HOLLIS. No; not as I think the Senator understands it. The private joint-stock banks are organized for profit, and their capital, which is not exempt from taxation, stands entirely by itself. There is under the supervision of the farm-loan board a cooperative system of 12 land banks with their subsidiary associations.

Mr. CLAPP. I so understood it, but I think if the Senator will look at his remarks later he will see that possibly they bear the other construction.

Mr. HOLLIS. Very likely. It is very easy to confuse two characters of banks and to use the wrong word.

The point raised by Gov. Herrick's article that there will be numerous land banks formed I hardly believe is candid, but if anyone has a fear that there will be more than 12 I personally should not have the least objection to having the number limited to 12. That was one of the question which was up under the Federal reserve act, and we finally fixed on not more than 12, and 12 were organized. I have not the remotest idea that there ever will be more than 12 or any less than 12. They very soon settle into their environment and the connections formed are solidified, so that it is disadvantageous to give up the bank with its connections and start another. But if that criticism is made in good faith and anyone wants to offer an amendment that the number be limited to 12, I shall be very glad indeed, so far as I am concerned, to have it adopted.

Another suggestion by Gov. Herrick is that the capital is advanced by the Government and will not be returned. If these banks do a substantial business, it will run into the hundreds

of millions. As soon as a bank has loaned ten million it will have a new capital of \$500,000. When it increases its loans further, then 25 per cent of the new subscription will be returned to the Government. It will all be returned when the land bank has loaned \$50,000,000. I should suppose the country will be divided into 12 districts, so that \$50,000,000 may be loaned in each within two or three years.

Mr. WILLIAMS. Fifty million dollars by all?

Mr. HOLLIS. No; \$50,000,000 by each one. When you consider that the farm loans already existing in this country are four and a half or five billion dollars, and we need only to have 1 per cent of the amount taken out on each land bank, it seems very probable that the limit will soon be reached.

These points which have been submitted in a broadside through Gov. Herrick's letter will doubtless be raised seriatim later in the debate by various Senators, and as they come up one by one I shall be very glad to give my answer to them, such as it may be.

Mr. McCUMBER. Mr. President, I am one of those who favor a rural-credits system. I am in hopes that we may be able to establish a workable one. I have given this matter considerable consideration, and of one thing I have become satisfied, and that is that we can not inaugurate any system that will give substantial benefit to the agricultural class without entering to some extent into the field of paternalism. I wish that we could avoid it, but I am satisfied that it is impossible. I have therefore drawn a substitute for the bill offered by the committee, a substitute that is simple, that is workable, that will certainly prove to be a success. It can not be otherwise.

The bill that has been introduced by the committee is paternalistic in all its tendencies. The substitute which I will offer does not avoid that criticism. The bill as it is proposed requires the Government to invest \$6,000,000 in a business that may be profitable or it may not be profitable, according to the operation of the banks and the conditions. If it is a success, the Government may get its money back. If it is not a success, it is the Government that loses, and we who pay the taxes, of course, pay for that loss. The Government is establishing the institutions; the Government is creating the corporations; the Government is officering the corporations and conducting the business for a class of American citizens. Now, to do that and to accomplish the ends that are sought, the committee has reported what they admit is a very complex and a very cumbersome bill. To my mind it is so top-heavy that it will not be workable.

The committee has attempted to formulate a bill that will reach the diverse conditions in the several sections of the United States and apply with approximate justice to all. The Senator from Illinois [Mr. SHERMAN] has shown how it must fail to work justly to every section. I shall submit a substitute that will apply justly, because it will not require the Government to expend any money whatever except for a few additional clerks in the bureau which will be created.

Let us suppose this condition: Suppose the Government Treasury would buy up \$100,000 worth of mortgages this year; that the Government would take those mortgages, bearing 4½ per cent interest, payable in 5 or 10 years, the interest payable annually; that the Government would then issue its debentures, bearing 4 per cent interest, payable in 20 years, with privilege of redeeming in 10 years if it was found that the demand of the country did not justify the continuation of this system. Then it sells those bonds bearing 4 per cent interest. The Government then has immediately received the money back that it paid for the mortgages it purchased.

Now, next year we will suppose that the Government takes another hundred thousand dollars and sells another hundred thousand dollars of debentures. This continues for 20 years, the Government selling the debentures just to the amount of the mortgages that it takes. The Government becomes the owner of the mortgages. They therefore would not be taxable.

Mr. SHERMAN. Mr. President—

Mr. McCUMBER. The Government in selling its own bonds can provide that they will not be taxable. I yield to the Senator from Illinois.

Mr. SHERMAN. I am following the statement of the Senator, and I wish to make an inquiry. Are those 4 per cent debenture bonds the obligation of the Government or simply secured by the undivided profits?

Mr. McCUMBER. They are the absolute obligation of the Government, and the mortgage securities which are owned by the Government are held as the basis of the bonds. Therefore, the Government has a dollar for every dollar it issues, and it has a security valuation equivalent to \$2 upon every dollar of the mortgage which it takes.

Now, you will see that by following that system the Government puts itself in the position of a factor who has the property in his own hands and guarantees the payment of it. The Government would receive one-half of 1 per cent upon the mortgages to cover its expenses.

Under such a system as that there could be no question of any difference in the rates between any one section of the country and another. The rates would be $\frac{1}{4}$ per cent to the farmer, no more, no less. The farmer could pay off the mortgage under the provisions of the bill which I have offered at the end of 5 years, if he saw fit to pay it, or he could allow it to run the 10 years.

Now, here is a simple, easy proposition, unquestionably workable, because the moment the Government issues an untaxable bond for 4 per cent there will be any quantity of capital ready to take up those 4 per cent bonds of the Government. Then I provide that those 4 per cent bonds may be used in Federal banks for the issuance of currency, absolutely as good a security as it is possible to obtain, because it is the Government security itself.

Under the bill which I offer as a substitute the Government does not have to build a single other bank building. It does not have any of these overhead expenses. It utilizes the national banks of the country now in existence. It utilizes every State bank or trust company in the United States that is willing to act as the agent of the Government. It has its officials already in these banks in every town and village in the United States. It brings the farmer to his own home bank to do his business.

Mr. SHEPPARD. May I ask the Senator a question?

Mr. McCUMBER. Certainly.

Mr. SHEPPARD. Suppose the banks should decline to perform this service?

Mr. McCUMBER. There are generally two or three banks in every little town of 400 inhabitants in my State, and if one should decline there will be others that would accept. I can not imagine that a bank would decline to act if it wanted to have the business of the farmer, because the moment that the bank declines to act for this customer the customer goes to another bank and the first bank has lost that customer. That fact would assure an agency in every town in the agricultural sections of the United States.

Mr. SHEPPARD. What provision would the Senator make for the examination of title?

Mr. McCUMBER. I will explain that.

Mr. CLAPP. Just a moment, if the Senator will pardon me. I think at this time some Senators may not be familiar with the proposed substitute. Making it clearer as to the willingness of the banks to act, it is not supposed that the banks take any responsibility except that of carrying, and surely where they did not have any responsibility imposed upon them they would be very glad to perform the mere duty of comparing papers and examining them for the compensation that is provided. I suggest to the Senator that to those who had not read his substitute the question as to whether the bank would act or not might involve the thought that the bank itself was assuming a responsibility for these debts.

Mr. McCUMBER. No; all that the bank is responsible for is good faith. Let me just apply it to the practical method of doing business. Suppose I want to make a loan upon a farm in my State. Of course under the provisions of this bill I could not have the advantage of it, and I could not have the advantage of it under the provisions of the substitute which I have offered, because I am not living upon the farm and I am not doing the farming myself, except through tenants and hired help. But suppose I was an actual farmer, doing business as such, and I wanted to borrow \$5,000 upon a section of land. I would go to the bank in my own town. The probabilities are that that bank would be the agent for the Travelers' Insurance Co. or some other loan agency which loans a great amount of money in my State. As a farmer, I would go to that bank and tell the banker I wanted to make a real estate loan of \$5,000. He would draw up an application for me to sign. That application would describe my land; it would show how many acres are under cultivation, what was the assessed value of the land, what land of that character was worth, the number of horses and cattle and sheep and hogs and farm machinery that I would have, the number of boys I might have upon the farm who could help me in operating it. After I had answered 40 or 50 of those questions which are in the application blank, that banker, if he did not already know my land—and the chances are a thousand to one that he would know all about it in an agricultural section of the country—would pass his judgment upon its value. He would then draw the mortgage for me, phone to an abstract office and have my abstract continued to date, or I would send over my own abstract, possibly, or phone and have a new

abstract made. He would pass judgment upon my title. In addition to my own statement in my application, I would probably have the statement of two of my neighbors signed to it verifying what I had said in reference to it, verifying my answers to the many questions in that application. He would then take those and, in all probability, he would advance me the money on them. He would not even wait until he had received the money from the Travelers' Insurance Co. He would send the papers on, with a draft accompanying them. I would have my money the very day that I went into the bank to borrow; there would be no red tape about it. It may be he would charge \$5 or \$10 for drawing the papers; but ordinarily he would make no charge, as his fee would be paid—1 or one-half per cent—from the Travelers' Insurance Co. for acting as its agent.

Why not utilize that same system here? What objection is there to it, except the objection, which I admit is valid, as to those who believe that the Government itself ought not to do any kind of business for the benefit of any class of its citizenship? That is a valid objection to those who have that belief; but those who believe in this bill can certainly have no qualms of conscience concerning the paternalistic effect of it. It is the difference between an unworkable bill and a workable bill.

After I have dealt with the bank the coupons will be sent by the Travelers' Insurance Co. to that bank for collection. If I am a little late in my harvest the bank will advance me the money. When I sell my grain I will deposit the proceeds of the sale in that bank. I am doing business all the time with a Government agency already created and with no expense whatever attached to it.

Now, I am going to consider a few of the provisions of this bill to demonstrate, if I can, what a complex, heavy, expensive piece of machinery it is. The bill reported in a certain way duplicates the Federal Banking System. We start out with 12 of these regional land banks. We first have a Federal farm-loan board, and we pay its members each \$10,000 a year. There are four of them, so their salaries amount to \$40,000 annually.

Mr. CLAPP. Mr. President, the Senator from North Dakota some days ago analyzed his substitute for the pending bill, but I think now, as we are getting nearer to a conclusion of the matter, there is more interest in his substitute. Though it may be plain to all, I think while the Senator suggested, after describing the manner of this loan on the part of the bank acting as an agent of the Travelers' Insurance Co., he would make the bank the agent for the Government instead of the agent for the company; at that point it would make it plainer if the Senator had suggested that the security taken by the bank, instead of being sent to the Travelers' Insurance Co., should be sent to Washington, the authorities at the Treasury here honoring the draft, thus making at that particular point a complete analysis of that transaction.

Mr. McCUMBER. Exactly the same. The Travelers' Insurance Co. would then sell either its bonds or its mortgages; and, in order to secure money at a cheap rate, the Travelers' Insurance Co. would probably guarantee those mortgages in the hands of the purchaser. That is what the Government, in effect, would do. Its guaranty, however, would be in the form of a long-term debenture.

I want to see whether or not this proposed bill will be an expensive affair. We start out with the Federal loan board, composed of four members, having a term of eight years, with a salary of \$10,000 each. That is the initial cost. Then, this board is to have supervision over a bureau. The number of employees in that bureau is absolutely unlimited—no one knows how many there will be—but we may get some kind of an idea of the number that will be required when we take the statistics and show therefrom that there are estimated to be over \$5,000,000,000 of farm loans in the United States. If this system is going to be workable at all, if it would be adopted all over the country, it would require enough clerical force to handle the business to take care of four or five billion dollars worth of mortgages. The force is unlimited.

Then, again, they are to appoint one registrar in each district. There are only 12 of them; but those are 12 more employees. We will suppose that they will probably be paid \$5,000 a year each; so the cost for their salaries would be \$60,000.

Then, we are to appoint as many land-bank appraisers as may be necessary. Let us stop and think of that. Remember, that under the provisions of the bill the land-bank appraiser must go out, examine, and pass judgment upon every piece of land involved. If this legislation is a success, you certainly would need as many as one land appraiser in each congressional district, would you not? You certainly would require three of them in my State, and it would keep them mighty busy traveling in order to cover the State: First, to examine one piece of land down in the southwest corner, and then to travel 400 miles to examine

another piece of land in the northeastern corner of the State. So you can be certain that there will be needed at least 435 appraisers.

In addition to those 435 appraisers, you are also to have another number of assistant appraisers. All of their expenses must be paid out of this system; they will have to hire teams; they will have to hire automobiles; they will have to travel by rail in order to get out to this land and to examine it. By the time a piece of land has been examined for the purpose of passing judgment on it by that one appraiser of loans you will have enough expenses to make 1 or 2 per cent upon the amount of mortgage which the average farmer would be desirous of making.

You have land-bank appraisers to be paid by the banks. Then, the farm-loan board must employ attorneys, experts, assistants, and laborers, and again their number is absolutely unlimited. The probabilities are the compensation paid will be the usual amount paid for Government employees, because the very system itself is inaugurated, it seems to me, for the purpose of finding places for your political friends without going to the Civil Service Commission, and after you have found those fine places for them, then they will be covered under the civil-service rules by the order of the President.

Nor do we stop there. The bill then provides for five directors for each land bank. That would make, at least, 60 in number, and if they have a salary of \$5,000 a year apiece, that would be \$300,000 for their salaries.

Mr. CURTIS. Mr. President, I should like to call the Senator's attention to the fact that, on page 47, the bill provides that the loan committee shall examine the land and all three members must sign the report, and it also imposes the condition that after the mortgage comes in the Federal land bank shall send out one or more of the appraisers to examine the land.

Mr. McCUMBER. Yes; it has to be looked after carefully, doubly appraised, and so forth.

Now, again, these land banks are authorized to employ as many attorneys, experts, and assistants as are necessary, and to fix their compensation. Here, again, the number of employees is absolutely unlimited. There is not a Senator here who does not know that the Government generally requires about three men to do as much work as would be done by one man in any kind of private employment; in other words, it will cost about two or three times as much as it would if a private individual was operating his own bank.

Mr. POMERENE. Mr. President, may I interrupt the Senator?

Mr. McCUMBER. Yes.

Mr. POMERENE. Of course, I think we will all agree that there ought not to be more attorneys or employees than are absolutely necessary to properly manage this system or any system which may be adopted. What limitations would the Senator from North Dakota suggest in that behalf? If there is likelihood of this provision being abused, what limitation would the Senator place upon it?

Mr. McCUMBER. I would not suggest any limitation; I am simply attempting to point out that it will require very expensive machinery to carry this bill into effect.

Mr. POMERENE. Of course, the Senator from North Dakota realizes that as no one can anticipate how many of these different farm-loan associations may be formed, it would be next to impossible to say that either 1 or 2 or 10 or 20 would be sufficient. I realize the fact that if you get a venal board, or a board that is incompetent or does not pay any attention to the business, there might be some abuse along the line that the Senator indicates if there are not any checks imposed upon them.

Mr. McCUMBER. Does not the Senator from Ohio also realize that whenever the Government attempts to operate any kind of business it employs a great many more persons to conduct that business than would be employed by a private individual conducting the same business?

Mr. POMERENE. Well, there is great force in that; and that would apply equally to the number of Senators who are in this Chamber. The business might be conducted with one-half the number of Senators; but we have a system, which prevails. I recognize the general truth of the statement that is made that public business is somewhat more expensive in certain lines and in certain departments than is private business, and that it is more expensive than it ought to be.

Mr. McCUMBER. Whatever these expenses may be, the Senator agrees with me that the expenses would be considerably in excess of what they would be to perform the same functions under private management.

Mr. POMERENE. No, Mr. President, I do not concede that. I say that it may so happen; but I am not conceding in advance that this board would be reckless or extravagant.

Mr. McCUMBER. I am not saying it would be; but I say generally that would be so.

Mr. POMERENE. As a general proposition, I think it is true that it is more expensive to have a given amount of service rendered by a given department of the Government than it would be where the men at the head of the department are not handicapped by having forced upon them certain employees who may have no adaptability whatsoever for the work which they are trying to perform.

Mr. McCUMBER. Well, I do not see that there is any difference between the opinion of the Senator and myself. We agree upon the fact that ordinarily it costs the Government more to do business than it would cost a private individual.

Mr. POMERENE. My thought was this—

Mr. McCUMBER. And if it costs more ordinarily, the chances are that it will cost more in the operation of this business.

Mr. POMERENE. The Senator from North Dakota is criticizing this particular bill because of a weakness which he discovers in it. I think anybody would concede that there is a possibility that there may be some difficulty along that line. For my own information, not only as a Senator but as a member of the committee, if the Senator from North Dakota has any suggestion to make which will reduce to a minimum the possibility of extravagance along this line, I should be very glad to hear it.

Mr. McCUMBER. I have poorly expressed myself if—

Mr. CLAPP. Mr. President—

Mr. McCUMBER. One moment. I have poorly expressed myself if I have not made the Senator from Ohio understand that, if we use the present facilities of the Government through its banks, with officers already established and already paid by the banks, we shall save all of this expense, which must in the end either be paid by the farmer in greater interest or which must be paid by the taxpayer; and the farmer is one of the taxpayers. Now I yield to the Senator from Minnesota [Mr. CLAPP].

Mr. POMERENE. I simply want to suggest, if I may—

Mr. CLAPP. I yield to the Senator.

Mr. POMERENE. That that involves the other question of the wisdom or the unwisdom of combining this system of rural credits with the Federal banking system, and I think it is a pretty serious proposition as to whether or not the two should be combined, because they are so essentially different.

Mr. CLAPP. Mr. President, I rose before the Senator from North Dakota had completed his statement simply to ask him if my understanding is not correct that his objection on account of the expense, or, if I may use the word, the "extravagance" involved in the committee bill, would not be remedied automatically by entirely eliminating it; but before I could ask the question he had already answered it.

Mr. McCUMBER. The amendment which I shall offer as a substitute does away with all of the banks, their officers and appointees, and heavy expenses.

I have not yet gotten through with the question of expenses. Each loan association must have directors and other officers, and the salaries and expenses of the loan associations are to be paid out of the general funds of the association. Those expenses will have to be paid. I can imagine that if farmers in my State enter into a farm-loan association along about the month of January, they will not hold their meetings in the streets; they will require some place in which to hold their meetings. They will either have to hire halls and pay for them or else buildings will have to be erected for the purpose of housing their records and their officers and conducting their business. That must all be paid for by the borrower or else it must be paid for as a loss to the Government.

Again, let us stop and think of the size of the districts. If only 12 districts are provided for the United States, and the bank of each district, if it handles its proportionate share of farm mortgages, must handle about \$500,000,000 worth of farm mortgages, provided there are between \$5,000,000,000 and \$6,000,000,000 of such mortgages in the United States. To do that character and volume of business there must be quite an army of employees.

Now, suppose a bank were to be located in the city of Minneapolis for a district running to the Pacific Ocean through the western section of the country. It would have to be a bank of some considerable magnitude, and it would require a building compatible with the importance of such an institution as that. I can not imagine the possibility of constructing such a bank

building in any one of our great cities that would cost less than \$500,000, and that would take, for the building alone, all of its capital stock. Suppose, however, they did not wish to erect a building. Very well, they would have to pay rent on the equivalent of a building that would cost about that much, and they would have to use so much of their capital invested in order to get the money to pay the rent.

Mr. SHERMAN. Mr. President—

Mr. McCUMBER. I yield.

Mr. SHERMAN. Has the Senator considered, or would he pursue the speculation into, the very large field it would open for appropriations for public buildings? There is quite a large field at present in that direction; and does the Senator think it ought to be enlarged?

Mr. McCUMBER. I do not. If the Government owns all the stock, it must provide the building. We have had no argument at all along this line, and no explanation of this feature has been given; some one must furnish the bank a building; the Government must either construct a building or rent one, or else the bank must take its capital stock to build it.

Mr. POMERENE. Mr. President—

Mr. McCUMBER. I yield.

Mr. POMERENE. I understand from the Senator's argument that his objection is that the districts are too large to attend to this business?

Mr. McCUMBER. Yes and no. The system is wrong. If you make the districts smaller, you add to the expense; if you leave them as they are, the bank will be so far away from the borrower doing business with the bank that it will be necessary to have a great class of middlemen between the farmer and the bank and a great amount of red-tapism that would disgust any farmer in the United States.

Mr. POMERENE. Of course if the system is wrong it ought to fail; if it is right, it ought not to be defeated because it requires either large districts or large bank buildings. My recollection is that when the Federal reserve act was before the Senate the Senator then favored the Hitchcock plan, which provided for only four, or perhaps five, districts in the United States. The business, of course, connected with the commercial banks is infinitely more complex, more involved, and more extensive than the business required under a plain mortgage system, so that I do not quite understand how, in this instance, the provision for 12 districts makes each district too large, when it was thought by the Senator and others that under a provision for four or five districts in the Federal reserve act the district would not be too large.

Mr. McCUMBER. I have not made any comment upon whether the districts are too large or too small. I insist that the system is wrong and you can not make it right by increasing or decreasing the number of banks.

Mr. POMERENE. Perhaps I misunderstood the Senator.

Mr. McCUMBER. One of the purposes of this bill is to bring the farmer who wants to borrow just as closely as possible to the individual who has the money to loan, and to cut out all unnecessary expenses that the farmer is now paying to get money through a somewhat complex system.

Mr. POMERENE. Does the Senator understand that the farmer would have to go to the central bank in order to get his loan?

Mr. McCUMBER. No; the farmer has first got to deal with an agent in his own section—or, rather, the first thing he has to do is to organize a community of debtors.

Mr. POMERENE. Certainly.

Mr. McCUMBER. That is the first thing he has got to do. Then those debtors must appoint an agent; then that agent will operate through the land bank; the land bank will operate through the central board; and the central board will be the connecting link between the Treasury of the United States and the several banks, and also, to some extent, indirectly the connecting link between the loaner and the system.

Now, let us consider just for a moment whether or not the difference of 1 per cent will in all probability take care of all of this expense. There are expenses of buildings, of traveling, of an army of registrars, special land appraisers, attorneys, experts, assistants, land-bank directors, presidents, vice presidents, secretaries, land-bank officials, and of all the vast machinery which will have to be paid out of 1 per cent of the business.

The expenses of the Federal Reserve Board last year were \$216,000; the salaries of its employees last year were \$108,650; and the salaries of the examiners who examined the banks in the Federal Reserve System were \$396,000. The expenses of the Federal reserve banks last year were \$1,490,729, and the estimated expenses for the same banks for this year are \$1,611,000. Remember that one of the heavy items of the expense in our banking system is the bank examiners. Under the system pro-

posed by this bill there must be an immense number of appraisers who will have to travel over the country and examine the lands on which the mortgages are to be made.

I want to call attention to one or two of the statements made by the Senator from New Hampshire [Mr. HOLLIS] in his address the other day. He said:

In Europe mortgages run for as long a term as 75 or 80 years. I think there are some amortization payments of only a quarter of 1 per cent a year, which would enable the borrower to pay out in something under a hundred years. It is in order to encourage the farmer not only to get his money at a low rate and to use it for productive purposes, but at some time to pay off his loan that this system is devised.

Mr. President, I may not know the farmers of this country very well, but any system that is devised to allow a farmer to buy a farm and pay off his mortgage in 70 or 80 years will not be taken advantage of by many farmers in this country.

Mr. HOLLIS. Mr. President, I have no doubt the Senator means to be entirely fair about this matter, and I presume he knows perfectly well that under the pending bill a loan can not run for more than 36 years. What I said the other day applied to the European system; and the committee has discarded the idea of so long a term.

Mr. McCUMBER. Yes. I am inclined to think that, if you would take any farmer and show him a piece of land and tell him that if by working 36 years he could earn enough to pay for that piece of land, he would decline your offer.

Mr. HOLLIS. He is not obliged to do that if he does not want to do so.

Mr. McCUMBER. He would not want to buy a farm when it would require him 36 long years of toil—two-thirds of his working life—to pay for it.

Mr. HOLLIS. He is not obliged to borrow for 36 years. He can fix his own time after five years. But, of course, he would have to pay more each year if he wanted to pay out earlier.

Mr. McCUMBER. I am simply taking issue with the Senator by stating that, if this bill is devised to meet the demands of farmers who want even 36 years to pay for their loans, I do not think there are many farmers who would wish to take advantage of it. Most of the farmers that I know anything about, when they buy a piece of land, expect to pay for it in ten or a dozen years at least, as any merchant who goes into business expects ordinarily to have his stock clear in that many years.

Mr. HOLLIS. Mr. President, does the Senator understand that most merchants pay for their stock and for all the capital they use after the expiration of any period of years? Does not the Senator know that nearly all merchants are continually borrowing money to be used in their business as capital?

Mr. McCUMBER. I know that a great many are doing so, because doing business on a large scale it is cheaper to do business with other men's money than it is to furnish your own or to do it only in the limited way in which you would have to do it if you had to depend upon your own capital. A mercantile business grows; a farm does not increase in acreage. In a very few years the merchant is supposed to have the original value of his stock of goods clear.

Again, the Senator says:

The Government under this bill will advance to a land bank money if it gets in temporary difficulty, just as it advances the money to commercial banks that get into difficulty by placing Government deposits in certain localities.

I had hoped, Mr. President, that we had outlived that system which has been adopted by the Treasury Department for a number of years to back up speculations in Wall Street and other places, and that we would not have to use it anywhere in the United States. The Senator undoubtedly has some suspicion about the success of this bank, and therefore he very cautiously provides that the Government may come to its rescue if it finds itself in straits. I should hope for a system that would be so sound, so certain, that it would not be necessary to have a provision in the bill which would provide for difficulties in which the Government would be called upon to help out.

Again, he says:

The Government gets no dividends and no interest at all on the money that it employs for this purpose.

Mr. President, every dollar that the Government puts into this business it has to draw out of some one's pocket, and the chances are 10 to 1 that that some one is also paying interest upon money that he is borrowing; and thus you provide that you can tax certain of the people to furnish money for a private enterprise which you say can make money out of this 1 per cent. You tax me and you tax yourself to furnish the money to give to John Doe to operate a bank.

Mr. President, I am inclined to think that if the vote of the people of my States, all of them agricultural, could be had as to whether they would accept from the United States a gift of

money for use with no interest, they would not have the cheek to do it; and yet you are providing in this bill that they shall furnish at least a portion of the money that will go into this enterprise without any charges whatever, and if the Government loses the people that furnish the money lose in the enterprise. If it is a good, paying enterprise, the private individuals who constitute the directors or those owning the stock will have the benefit of it. That is scarcely just to the people.

Again, the Senator says:

His—

That means the appraiser's—

services are paid for by the land banks, for he performs an official function, and he goes to every piece of land and examines it himself and passes upon it.

Suppose, now, that you were to send examiners to every farm in the United States that has a mortgage on it where the farmer desires to renew that mortgage. Have you stopped to contemplate what it would cost? Why, it is almost beyond computation. The expense necessarily would be enormous. Some one must pay that expense. If the Government pays it all, then the Government has to pay millions upon millions of dollars for these expenses. If the borrower pays them, it must add to his interest rates.

Again, the Senator says:

The Government exempts from the income-tax law and from all Federal, State, and local taxes the capital stock of the Federal land banks—not of the joint-stock land banks—and the mortgages and the bonds.

I have some doubts myself about this bill being so carefully drawn that it can make that provision constitutional. I doubt if under the real purposes, at least, of this bill—purposes that are not hidden in any way—the Government of the United States can prevent the State of North Dakota from levying a tax upon mortgages within its jurisdiction or upon bonds within its jurisdiction, other than the bonds of the Government itself; and in this instance they will not be Government bonds.

Mr. President, I have an amendment which I should like to offer at this time, or at least to have read at this time, and I can ask for a vote upon it later. If there be no objection, I should like to have it read at this time.

Mr. HOLLIS. Mr. President, I think amendments are not in order at this time.

Mr. McCUMBER. Of course, I appreciate that the Senator's position is correct.

Mr. HOLLIS. I wish to finish the reading of the bill for committee amendments first. Of course, the Senator can offer the amendment, but it would not be advisable to vote on it as late in the afternoon as this; so I will ask the Senator to present it at some other time.

Mr. McCUMBER. That will be entirely agreeable; but I wish to describe it just for a moment.

Mr. CUMMINS. Mr. President, before the Senator proceeds to discuss his own bill or amendment I should like to ask his opinion on this question; and I ask it purely for information, because I have been unable to reach a satisfactory conclusion myself:

Suppose that the system were in effect, 12 land banks had been established, and in the aggregate they had loaned, we will say, \$1,200,000,000. The profit, or the difference between the rate of interest on the bonds and the rate of interest on the mortgages, would aggregate \$10,200,000. What would be the expense of operating the system when it had reached the extent I have described?

I should like to know something about how much it would cost to do this work for the purpose of ascertaining whether or not the 1 per cent would be sufficient to cover it.

Mr. McCUMBER. I think I can point out the pathway, at least, through which the Senator will be able to form some kind of a conjecture, and that is all that we can possibly do.

If the banks were doing a billion dollars' worth of business a year, and there were about \$5,000,000,000 worth of mortgages, they would be doing a business that would cover at least one-fifth of all the mortgages in the United States during a year; and, assuming that those mortgages and renewals ran about five years—and they run from two to five, but give a five-year average—that would necessitate an examination of one-fifth of all the farms in the United States that have mortgages upon them. That would necessitate sending men from some part of the United States—we will suppose from one of the 12 central banks—to the land in question; and, as I stated, I can not conceive that it would be possible for four or five hundred men to do it. If you take 500 men—and probably you will need a thousand of them, in my opinion—if you take a thousand, and pay but \$1,000 a year to each, there would be \$1,000,000 that it would cost to cover that. I do not know how much it would cost; but I believe that if you carry out that appraise-

ment idea and send men to appraise and visit and inspect the land on which the loan is to be made, pay their salaries and traveling expenses and all other expenses of the system, the spread of 1 per cent will not cover them.

Now, turning to my amendment:

Section 1 creates a bureau, to be known as the bureau of farm mortgages, in the Treasury Department. In that respect it is the same as the bill under contemplation.

Second, it makes an appropriation for advances until Government debentures are sold to cover the advances; that is all. If the Government would lose anything, it would lose the interest upon the money that it had advanced until it could sell the bonds that would cover the mortgages.

Third, the proceeds of the debentures are used for the purchase of other mortgages. A million dollars would certainly be all that it would be necessary for the Government ever to advance before it sold its debentures, and probably \$100,000 would be sufficient.

Section 4 provides that every national bank or State bank coming under the provisions of the act is a governmental agency.

Section 6 provides that the farmer can borrow for any purpose. He is not limited. Under the provisions of this bill he can only borrow for the purpose of buying a farm, paying up an indebtedness on a farm or purchasing farm implements. Now, as long as the security is not above 50 per cent of the value of the land, why not allow the farmer to borrow the money for whatever purpose he sees fit to use it? It is the security that you must look to in every instance. If he happened to run in debt to the doctor because of some serious operation on his wife or a member of his family, why not allow him to borrow the money to pay for that, if he saw fit to do it? Why limit it to these few purposes? Again, suppose a farmer borrows for the purpose of buying farm machinery and other things of that kind, and he fails to do so, what are you going to do about it? The chances are, I think, that you would not attempt to enforce the mortgage and foreclose it as long as he kept up his interest. So, under the provisions of the bill, that is left in reality to the honor and integrity of the man borrowing.

Again, under the provisions of my bill the mortgage is to run for 10 years, with the privilege of paying it in 5 years; but I really believe it would be safe if it provided that it might be paid on any interest-paying date after three years. I believe there would be enough of a demand to keep mortgages coming in all the time, and due at different times, so that the farmer could pay it off whenever he saw fit.

May I ask the Senator a question here, as I am not certain about one feature of the bill under consideration?

Mr. HOLLIS. Certainly.

Mr. McCUMBER. Does it provide for annual or semiannual interest?

Mr. HOLLIS. Semiannual interest.

Mr. McCUMBER. Let us apply that to all of the Northwestern States. I think that is a provision, above all, that should not be in the bill, and my reason for that statement is this:

In every farming community where they have only one crop in a season the farmer pays the interest on his mortgages at the time he has his crop ready for market. If a farmer in my State should have to pay interest on a mortgage in June, he either would have had to keep that interest idle from the fall, or else he would have to pay interest on that interest until the next fall; and in the end, with your semiannual interest and your penalty of 8 per cent, which I think you have provided, you will have the farmer paying as much as or more than he would if he got the money from some loaning agency.

Under the provisions of my bill the mortgage can not carry a higher rate of interest than 4½ per cent. That mortgage will be accompanied by an abstract, an application, an appraisal of neighbors, and an appraisal by the banker himself; and in addition to this, to make it doubly secure, it will be the duty of the bank examiner, who generally goes to the banks two or three times a year, to report upon it.

In an agricultural community, in order to pass upon bank paper, our present bank examiner must know the value of the lands in that section. Therefore, under this system the Government would require him, in addition to his usual duties, to report upon the general value of lands in the vicinity of the banks which he examines, so the Government would have the assessment value, all of the facts that would be contained in the application verified by the farmer and by two of his neighbors; it would have the estimate and the report made by the banker himself, who would be held responsible if he did not act in good faith in giving the values; and under this system it would be impossible to impose upon the Government unless all of these officers were negligent in their duty.

The banker would be entitled to charge 1 per cent. If a farmer was borrowing \$500, he would pay \$5 to the banker for drawing his mortgage, examining his abstract, and conducting the business for him. If the mortgage was for \$1,000, he would receive \$10. That is probably the same amount that he would pay an attorney for doing the same kind of business.

Again, section 7 provides that when the Government receives a million dollars of mortgages it shall issue bonds or debentures, payable in 20 years, bearing 4 per cent interest, payable annually—not semiannually—so that the payments may be made at the same time that the farmer pays his interest; and the debentures that would be used in the Northern States would undoubtedly be so dated, as a rule, that they would mature in the fall of the year. Then these debentures would be sold for their face value. I know there was some criticism in the other Chamber upon that provision because it did not allow the Government to get a bonus if it could get it; but the object of this bill is to help out the small investor. It is not for profit. It is not to furnish the big banks with a means of loaning their surplus. It is simply to bring the investor—the widow, the trust estate—to the farmer, where the one can loan a small amount of money to the other. The debentures can not be for more than \$500 nor less than \$100; and the bill provides that the Government shall give preference in the sale of the debentures to the small investor, and if they are all taken up they will go into the hands of those people who must depend on some one else to keep their little capital invested.

Section 7 provides that the commissioner has the right of a mortgage under the laws of the State wherein the land is situated.

Section 9 provides for the payment of taxes, and for foreclosure of mortgage, or sale in lieu of foreclosure. That authorizes the commissioner to foreclose under the laws of the State wherein the land is situated; or, if he sees fit, and can secure the amount due, he may sell the mortgage instead of foreclosing it.

Section 10 provides that the bonds may be purchased and sold by Federal reserve banks under the provisions of sections 13 and 14 of the Federal reserve act. This hitches up the whole system to the present banking system of the United States, and I think would answer any objection as to its constitutionality.

Section 12 provides that the Secretary of the Treasury shall make all needful rules for carrying into effect the provisions of the act.

Now, just a word on why this system which is proposed for the United States—a system that has followed European customs—will not be applicable in America.

First, we must remember that farmers do not live in communities in the United States. In Europe they do. In Europe, if you take any one of those communities, you will find that through marriages and intermarriages the people in that community are about all related to each other. They are uncles and cousins and brothers and sisters and aunts, and brothers-in-law, and so forth, and each one knows all about the business of the other and knows his responsibility; and the entire community undoubtedly, where they have to buy land at such enormous prices that it takes them a lifetime to pay for it, are willing to act together and to protect the interest that belongs to the entire relationship in that community. That is not the nature or condition of the American farmer. He lives by himself. In our part of the country he lives on quite a good-sized farm, often several miles from his nearest neighbor. He does his business in his own way, and scarcely knows his neighbor, except when he talks to him over the telephone. Those conditions require entirely different kinds of systems in order that they may be a success.

Why, from the arguments that have been made here one would think that the farmers of the United States were properly described in these "Squash Center" articles in the comic supplements. As a matter of fact, the farmers of America are not sitting around a grocery store on barrels and discussing things. They are at their own homes, reading their papers, reading their magazines, and attending to their own business.

Again, the farmer wishes to conduct all his business independently of his neighbors. The matter of the cooperative creameries, and so forth, has been mentioned here. A creamery is part of the farmer's business, and he understands the general working of it. It is right at his very door. He may be willing to go in with a number of other farmers and take chances on that creamery. I think in a great many instances in my State, where they have proven a failure, you could not induce him to go into one of those schemes again. He prefers, ordinarily, to let some one else run the creamery, and he will sell him his cream and his milk. Well, then, if he even sometimes suspicions those institutions and does not like to incur responsibilities for their

conduct, what hope have you to get him to enter into an agreement to take care of all the mortgages in the State of North Dakota and become a party to all of the liabilities connected with such an extensive and complex system the workings of which he can not hope to fully understand? If he is a good, sensible farmer, I do not think he would like to take that chance. He is averse to any liability other than his own.

Again, lands in the old country are held for life, and they pass from heir to heir. Now, as a matter of fact, in our part of the country a farmer will sell his farm about as readily as he will sell a horse or a colt or a steer. Whenever he thinks he can promote his welfare by doing so he will sell it, and he does not want it tied up by any 36-year mortgage, nor does he want it tied up in a system of liability for all of the debts, not only of his neighborhood but throughout his State.

As a rule, the farmers of the Northwest are opposed to long-term mortgages. The shorter the farmer can have the term of his mortgage the better it suits him. He would prefer borrowing from one year to the other; and if he is sensible he knows he would be better off to pay 7 per cent, with a right to pay any part of it in one year, and to pay his interest annually, than he would to tie it up for a number of years at 6 per cent and pay his interest semiannually. So I do not think that system would appeal to him.

Again, when a farmer under this bill wants a loan he has first to submit the question to all this community of debtors and they are to pass judgment on it. Then he puts the matter in the hands of the agent. He then must deal with a bank that may be a thousand miles from where he is located. Then the bank must send out an appraiser and examine that land after the application has been received. Do you know of any farmer in North Dakota, or South Dakota, or Iowa, or Minnesota who would go to that trouble to secure a loan when he can go to his bank and get money about as cheaply as he would get it under this provision, and get it the very day he wishes it, because, as I have said, the bank will generally advance money for its customers?

Again, there would be no conflict with the local banks. Under the provision which I have in my substitute there are banks enough in the country to do all the business, to take care of all the farm loans. All that a farmer is interested in is that he shall get his interest at the lowest possible rate, and through the system of these banks without any of these overhead expenses you can bring the farmer of the West into communication with the money loaner of the East.

The bill under consideration, Mr. President, assumes that it will not invite consideration from good business men. It assumes that the good business men will not go into the business; and, therefore, in order to force the system upon the Government, whether there is a demand for it or not, it provides for the creation of this board, and the board must then create these banks, without first knowing whether there will be use for them, without knowing whether they will be a success or not. Inasmuch as it assumes, as stated by one of the authors of the bill, that no private person would enter into it in the first instance, it compels the Government to take every dollar of the stock issued by that bank. Then if it fails because no one wishes to go into the business, you have a bank building that may have been built at an expense of \$500,000 or you have entered into a 10 or 15 year lease for \$20,000 or \$30,000 a year for a great bank, and you have no business for it. But it is the Government's money; and, of course, it does not make so much difference. I admit frankly that this substitute is somewhat paternalistic; but you must either cross over the paternalistic line or else you will not get the kind of rural-credits bill that will suit the farmers in the entire United States, and without it, in my candid judgment, you will not secure a bill that will operate successfully. I used to be a little more afraid of the paternalistic idea than I am now. I am getting rather used to it here during the time I have been in Congress. When I find that the Government is building railroads over in Alaska for three or four thousand white people in the whole section, when I find that it is guaranteeing the bonds of a railway built in the Philippine Islands, when I find thousands of other instances where the Government is financing different institutions, I can see no serious objection to its becoming the guarantor of paper that is backed by property twice the value of the paper.

Now, under the proposed system the Government will risk the loss of its entire capital. Under my system it can not lose a cent. Why? Because land as capital can not blow away. You can not lose that capital. That land has a definite and stated value. Business may be valuable or it may not; but the land, if it is productive land, will always have a value; and what is more important, as population grows, and as acres can not grow, in the United States the acres will become more and

more valuable. Therefore there is no chance of loss on the part of the Government, and there can be no possibility that this substitute will not operate successfully.

It will give the farmer $4\frac{1}{2}$ per cent money. It will give the money lender of the East who has but a few dollars to lend 4 per cent interest, and without being taxed upon the bonds held by the individual.

Mr. President, as I have stated before, the two parties agreed that they would give the farmers relief in a rural-credits bill. All right; make that promise good, but give them real relief. They did not ask that you should put upon the statute books something which you call a rural-credits bill, which they can not use and will not use, and which, in my opinion, will not be workable.

I furnish in this amendment the opportunity to give the farmers a rural-credits bill that will reduce all farm mortgages to $4\frac{1}{2}$ per cent interest. You can vote it in and give the real relief demanded or you can vote it down and give a bill which will not meet the agricultural demands of the country.

NOMINATION OF JOHN RANDOLPH THORNTON.

Mr. RANDELL. Mr. President, I ask unanimous consent that the appointment of former Senator Thornton, made by the President to-day, be laid before the Senate by the Vice President at this time.

The VICE PRESIDENT. Is there objection? The Chair hears none, and lays before the Senate the following appointment.

The Secretary read as follows:

WHITE HOUSE,
Washington, April 26, 1916.

To the Senate of the United States:

I nominate John Randolph Thornton, of Louisiana, for appointment as civilian member of the Board of Ordnance and Fortification vice Francis M. Cockrell, deceased.

WOODROW WILSON.

Mr. RANDELL. I ask unanimous consent that the appointment be considered as in executive session, and that the nomination be confirmed without reference to a committee.

The VICE PRESIDENT. In open session. Is there any objection?

Mr. SMITH of Michigan. Mr. President, the request made by the Senator from Louisiana is a very unusual one but this is a very unusual man. He served his country faithfully in the Senate and he made a lasting impression upon all his associates. As far as I am concerned, I am perfectly willing to give consent to the immediate consideration of this nomination.

Mr. RANDELL. I thank the Senator for his consent, but I wish to say that it is not without precedent.

On March 3, 1911, President Taft sent to the Senate the nomination of former Senator William Warner, of Missouri, to be civilian member of the Board of Ordnance. On motion by the Senator from Wyoming [Mr. WARREN], with the Senate in open session, but proceeding as in executive session, the nomination was confirmed without reference to a committee.

Mr. SMITH of Michigan. I am well aware of the instance cited by the Senator from Louisiana, but it is nevertheless an unusual request. However, the high character and excellent attainments of the distinguished former Senator from Louisiana amply justify this compliment at the hands of the Senate.

The VICE PRESIDENT. Is there any objection? The Chair hears none, and the nominee is confirmed. The President will be notified.

RURAL CREDITS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 2986) to provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to provide for the investment of postal savings deposits, to create Government depositaries and financial agents for the United States, and for other purposes.

Mr. HOLLIS. Mr. President, I have listened with great interest to the address of the Senator from North Dakota [Mr. McCUMBER]. In the main it is the same address that he made a week or so ago. I wish it were as easy and as simple as the Senator doubtless thinks it is. I wish that every farmer in the country might get his land appraised by two of his neighbors and go to the nearest bank and get half its appraised value as a loan. I wish that could be done and be safe. But it would load the Government of the United States with billions and billions of indebtedness. I fear that the Government would never be ready to foreclose on a farmer who was in default. The plan suggested is simple. It has been worked out by the Senator from North Dakota with great care. Those who believe that the Government should borrow four or five or ten million dollars and reloan it to the farmers and take the risk that the farmer would

not pay up as he might to a private bank will doubtless vote for it. I do not think that a majority of the Senate will approve a measure of that kind.

Before I finish what I have to say now I wish to state that the committee does not admit that the plan proposed in the committee bill is either cumbersome or complex. It considers that, in view of the vastness of the subject and of the number of loans to be treated, the system is very simple and very inexpensive.

Mr. President, unless some one is prepared to speak, I would like to continue the reading of the bill for action on committee amendments until a quarter to six, and then have a short executive session.

Mr. SMOOT. Mr. President, there are very few Senators here, and I am quite sure those who are away did not expect any further business to be transacted to-night after the address of the Senator from North Dakota. If we proceed with the amendments, there might be some agreed to to which Senators would object. I do not want to suggest the absence of a quorum, because it is very doubtful if we could get one at this time of the evening.

Mr. HOLLIS. Very well. I will state to the Senator and to those Members who are present that if any committee amendment had been adopted in the absence of those who wished to be heard on it, I would not object to having it reconsidered so that every one would have a fair chance. However, in view of the Senator's suggestion I now move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 7 minutes spent in executive session the doors were reopened, and (at 5 o'clock and 17 minutes p. m.) the Senate adjourned until to-morrow, Thursday, April 27, 1916, at 12 o'clock meridian.

NOMINATIONS.

Executive nominations received by the Senate April 26, 1916.

MEMBER OF THE BOARD OF ORDNANCE AND FORTIFICATION.

John Randolph Thornton, of Louisiana, to be civilian member of the Board of Ordnance and Fortification, vice Francis M. Cockrell, deceased.

PUBLIC HEALTH SERVICE.

Passed Asst. Surg. Ernest A. Sweet to be surgeon in the Public Health Service, to rank as such from May 10, 1916. This officer has served the required time in his present grade and has passed the necessary examination for promotion.

Passed Asst. Surg. Francis H. McKeon to be surgeon in the Public Health Service, to rank as such from May 13, 1916. This officer has served the required time in his present grade and has passed the necessary examination for promotion.

CONFIRMATIONS.

Executive nominations confirmed by the Senate April 26, 1916.

MEMBER OF THE BOARD OF ORDNANCE AND FORTIFICATION.

John Randolph Thornton to be civilian member of the Board of Ordnance and Fortification.

PUBLIC HEALTH SERVICE.

Surg. Louis L. Williams to be senior surgeon.
John Davis Reichard to be assistant surgeon.

POSTMASTERS.

MASSACHUSETTS.

William F. Kelley, South Acton.

MINNESOTA.

N. J. Enquist, Isanti.
Robert M. Mills, Maple Plain.

MISSOURI.

J. Kelly Joiner, Richmond.

NEW YORK.

Frank M. Evans, Fredonia.
J. Frank Lackey, Tannersville.
Paul E. McManus, Hartsdale.

OKLAHOMA.

G. H. Crittenden, Rush Springs.
Willard P. Morris, Hooker.

PENNSYLVANIA.

John C. Wiegel, Allquippa.

REJECTION.

Executive nomination rejected by the Senate April 26, 1916.

POSTMASTER.

Adam Hersperger to be postmaster at Mayville, N. Y.